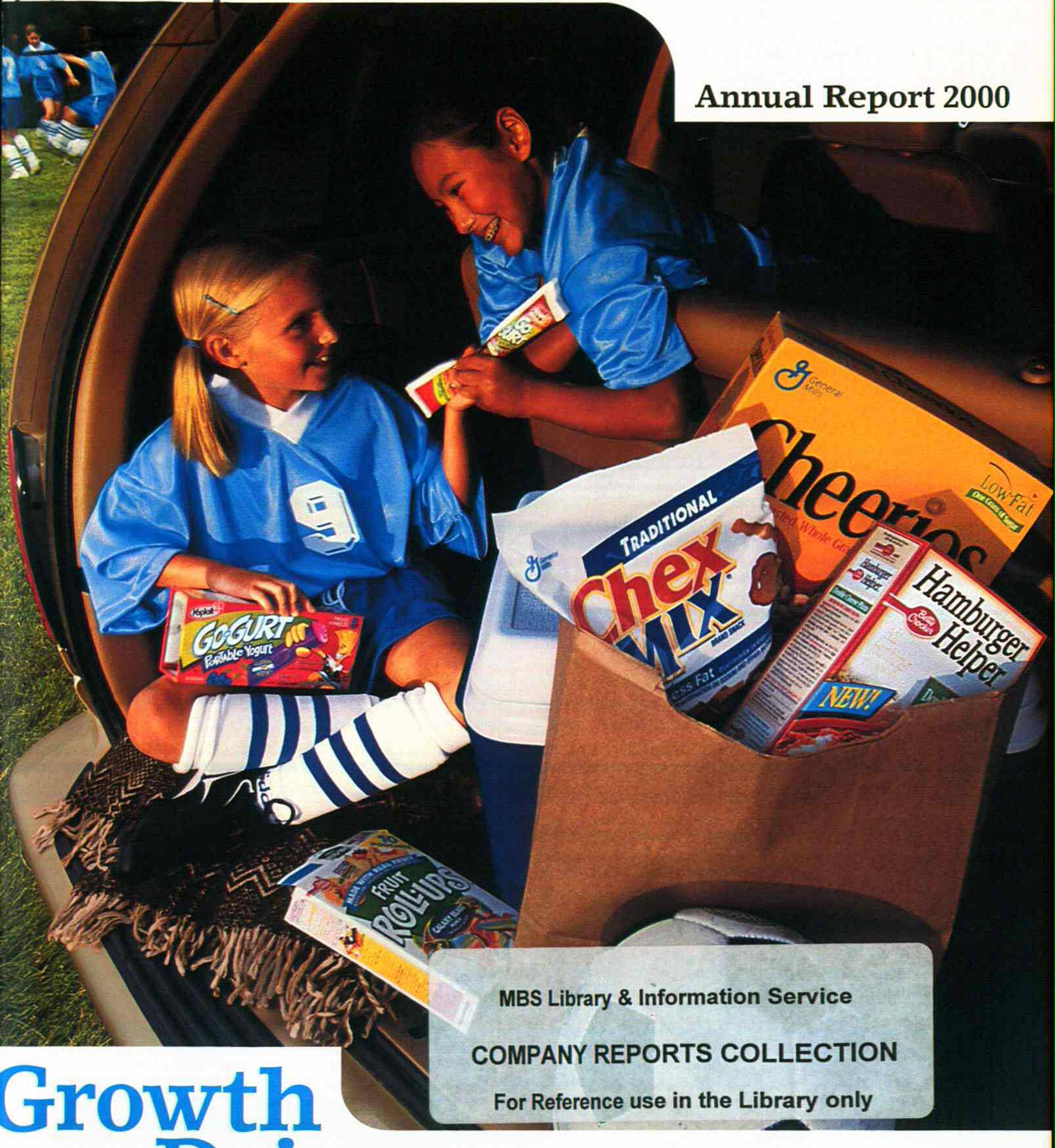
MANCHESTER
BUSINESS SCHOOL
30 AUG 2000

General Mills

Annual Report 2000



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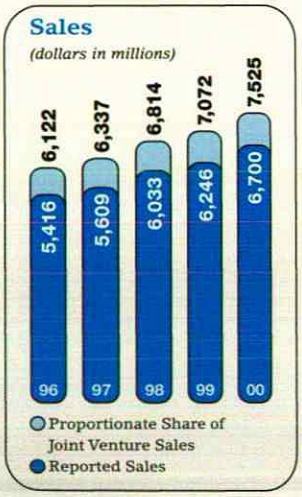
Growth Drivers

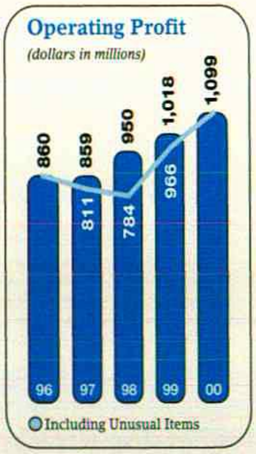
2000 Financial Highlights

In Millions, Except per Share Data; Fiscal Year Ended	May 28, 2000	May 30, 1999	Change
Sales	**$6,700.2**	$6,246.1	7%
Earnings before interest, taxes and unusual items	**1,098.9**	1,017.7	8
Net Earnings before unusual items	**614.4**	566.8	8
Net Earnings	**614.4**	534.5	15
Earnings per Share:			
Diluted, before unusual items and goodwill amortization	**2.07**	1.85	12
Diluted, before unusual items	**2.00**	1.80	11
Basic	**2.05**	1.74	18
Diluted	**2.00**	1.70	18
Average Common Shares Outstanding for Earnings per Share:			
Basic	**299.1**	306.5	(2)
Diluted	**307.3**	314.7	(2)
Dividends per Share	**$ 1.10**	$ 1.08	2
Common Shares Repurchased	**23.2**	9.5	144
Cash Flow from Operations	**$ 690.5**	$ 690.1	–
Fixed Charge Coverage (Times), before unusual items	**6.3X**	7.0X	(.7) pts.
Cash Flow to Debt	**25.2%**	33.6%	(8.4) pts.

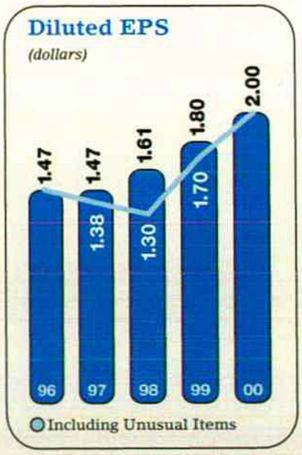
All share and per share data have been adjusted to reflect the two-for-one stock split in November 1999.


Sales

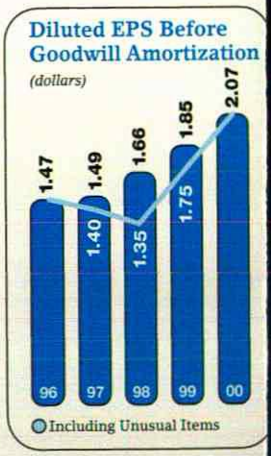
(dollars in millions)


Operating Profit

(dollars in millions)


Diluted EPS

(dollars)


Diluted EPS Before Goodwill Amortization

(dollars)

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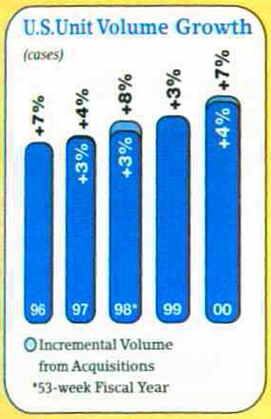
To Our Shareholders:

The 11,000 women and men of General Mills delivered outstanding performance in fiscal 2000, generating record financial results for the company.

- **Our reported sales grew 7 percent to $6.7 billion.**
- **Our operating profits grew faster, up 8 percent to nearly $1.1 billion.**
- **Earnings after tax reached $614.4 million.**
- **And our diluted earnings per share (EPS) increased 11 percent to a record $2.00. Excluding goodwill amortization, diluted EPS grew to $2.07. This was the third straight year that our earnings per share grew at a double-digit pace.**

There were four key factors that drove our performance in 2000. First – and most important – was the strong unit volume growth achieved by our brands. Total worldwide unit volume increased 7 percent. That overall gain included incremental contributions from the *Gardetto's* snack business and *Small Planet Foods* organic brands we acquired in 2000. *Lloyd's* refrigerated entrées and *Farmhouse* side dish mixes, both acquired during the second half of 1999, also gave us some incremental volume. But setting aside the contributions from acquisitions, shipments for our established businesses still grew 4 percent in 2000.

This good growth included a 2 percent volume gain by Big G cereals, which outpaced the cereal category's performance in 2000. As a result, Big G's share of this market's $7.5 billion in retail dollar sales grew to an industry-leading 33 percent. Our *Yoplait* and *Colombo* yogurt brands posted their fourth consecutive year of double-digit volume growth in 2000, and *Yoplait* alone became the $2 billion yogurt market's number one brand based on dollar sales. Our *Betty Crocker* businesses, snack food operations, and foodservice operations each achieved annual volume gains before acquisitions, too.


U.S.Unit Volume Growth

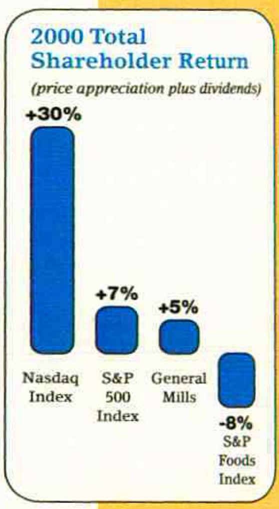
Unusual Items:
1997: Charge for adoption of SFAS No. 121.
1998: Charge related to restructuring partially offset by an insurance settlement.
1999: Charge related to restructuring.

See Note Four to the consolidated financial statements for further information.

> **"We're very excited about our recently announced plans to acquire the worldwide Pillsbury operations from Diageo — because we believe this business combination can accelerate our sales and earnings growth."**

Our volume growth in 2000 is a continuation of the progress we've achieved in recent years. Our domestic unit volume has increased at a compound rate of better than 5 percent a year since 1996, and our international volume has grown even faster.

The second key to our growth in 2000 was continued margin expansion. Our gross margin increased to 59.7 percent of sales, due in large part to productivity gains achieved across our supply chain activities. We reinvested a large portion of those productivity savings in marketing programs to build established brands and support a high level of new product activity. But our operating margin still improved, to 16.4 percent of sales. That's up from 15.3 percent three years ago, and up from 11.6 percent in 1990.


2000 Total Shareholder Return

(price appreciation plus dividends)

International business results were a third source of earnings growth in 2000. Together, our Cereal Partners Worldwide joint venture with Nestlé and our Snack Ventures Europe joint venture with PepsiCo contributed after-tax profits to General Mills for the first time. We were committed to reaching this inflection point in 2000, and expect these international ventures to be a significant source of earnings growth for the company in the years ahead.

The final factor contributing to our earnings per share growth in 2000 was share repurchases. When our stock price weakened early in calendar 2000, along with those of many other nontechnology-related companies, we announced plans to accelerate our repurchases of General Mills stock. In total, we bought back 23.2 million shares. As a result, basic shares outstanding at year-end totaled 285.4 million, 6 percent lower than the balance at the close of fiscal 1999.

Our strong operating performance in 2000 was not fully reflected in the price performance of General Mills' shares. With investor interest focused on technology stocks for much of the year, price appreciation for consumer stocks, including ours, was limited. As a result, price appreciation plus dividends resulted in a total return to General Mills shareholders of 5 percent in 2000. While this clearly didn't match the Nasdaq's strong return during the same period, our performance was generally in line with the S&P 500, and we soundly outperformed our food peer group, which posted a negative 8 percent return for the year.

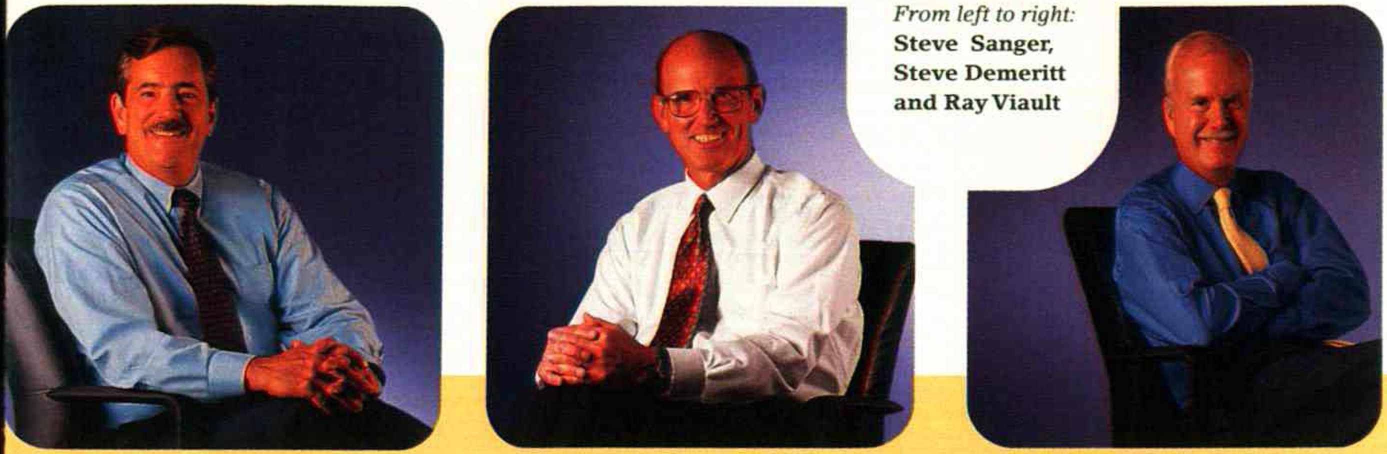
Exciting Growth Prospects We believe that the ability to deliver superior growth will result in the creation of superior shareholder returns over the long term. That's why we're very excited about our recently announced plans to acquire the worldwide Pillsbury operations from Diageo — because we believe this business combination can accelerate our sales and earnings growth.

With this acquisition, our worldwide sales base will nearly double, to almost $13 billion including our share of joint venture revenues. Our expanded business portfolio will be focused on brands that hold leading share positions across a number of refrigerated, frozen and dry grocery categories, as shown in the table below. In fact, brands accounting for 85 percent of our total U.S. volume will rank number one or number two in their respective categories.

Leading Market Positions

Dollars In Millions	Category Size	Dollar Share	Rank
General Mills			
Ready-to-eat Cereals	$7,500	33%	1
Yogurt	2,030	35	1
Dessert Mixes	1,080	41	1
Microwave Popcorn	690	24	2
Refrigerated Meals	580	14	1
Dinner Mixes	570	63	1
Fruit Snacks	460	59	1
Family Flour	340	41	1
Pillsbury			
Refrigerated Dough	1,480	79	1
Frozen Vegetables/Meal Starters	2,080	23	1
Ready-to-serve Soup	1,400	22	2
Frozen Breakfast Foods	870	37	2
Frozen Hot Snacks	480	33	1
Mexican Dinner Kits/Shells	280	39	1

Data: ACNielsen



From left to right:
Steve Sanger, Steve Demeritt and Ray Viault

Beyond strengthening our U.S. retail business, Pillsbury's operations will give us significantly broader capabilities in the fast-growing foodservice channel. In fact, we'll rank as one of the top U.S. foodservice manufacturers based on dollar sales. And outside the U.S., the addition of Pillsbury will more than double our sales in fast-growing international markets. Page 4 of this report shows how the combination of Pillsbury and General Mills creates a stronger, more balanced portfolio positioned to deliver faster growth.

Since 1995, our reported sales have grown at a 6 percent compound rate. With Pillsbury added to our portfolio, we expect our sales growth rate to be at least a percentage point higher. In addition, we estimate that this combination will result in pre-tax cost savings of approximately $220 million by 2002, and $400 million annually by fiscal 2003. Those anticipated savings reflect greater supply-chain efficiencies, streamlining of general and administrative functions, and synergies in selling and marketing activities.

With the faster topline growth we expect, and opportunities for ongoing productivity innovation, we believe our EPS growth rate will accelerate, too. Previously, we were targeting 10 to 13 percent average annual growth in earnings per share for General Mills over the next decade. With Pillsbury's businesses added to the mix, our EPS growth rate target will increase, to a range of 11 to 15 percent. Assuming this transaction is completed as anticipated in December 2000, General Mills' reported earnings per share would decline in 2001 reflecting the impact of transaction costs and goodwill amortization. However, we would expect our diluted EPS excluding goodwill amortization (often called cash EPS) to grow modestly in 2001. Then in 2002 and 2003, we would expect to deliver EPS growth rates well above our 11 to 15 percent long-term target, powered by the synergies outlined earlier.

A proxy statement containing detailed information on Pillsbury and this transaction will be mailed to all General Mills shareholders this fall, in advance of a special shareholders' meeting we will call to seek your approval of the acquisition. You are urged to read this proxy statement carefully, because it will contain important information regarding this business combination. The transaction also is subject to approval by Diageo shareholders and to regulatory review.

People Make the Difference Mike Rose and Angus Wurtele will retire from the General Mills Board of Directors in September, according to the Board's tenure policy. Both have provided valuable counsel to General Mills for 15 years, and we thank them for their distinguished service.

As we start the new fiscal year, General Mills people are focused on delivering superior results again in 2001. We look forward to welcoming Pillsbury people around the globe to the company. Our two firms have a shared Minnesota heritage tracing back more than a century, as well as a shared commitment to building strong and distinctive consumer food brands. The collective talents, insights and dedication of the people in both companies give us great confidence in our future.

Sincerely,

SW Sanger

Stephen W. Sanger
Chairman of the Board
and Chief Executive Officer

Stephen R. Demeritt
Vice Chairman

R.G. Viault

Raymond G. Viault
Vice Chairman

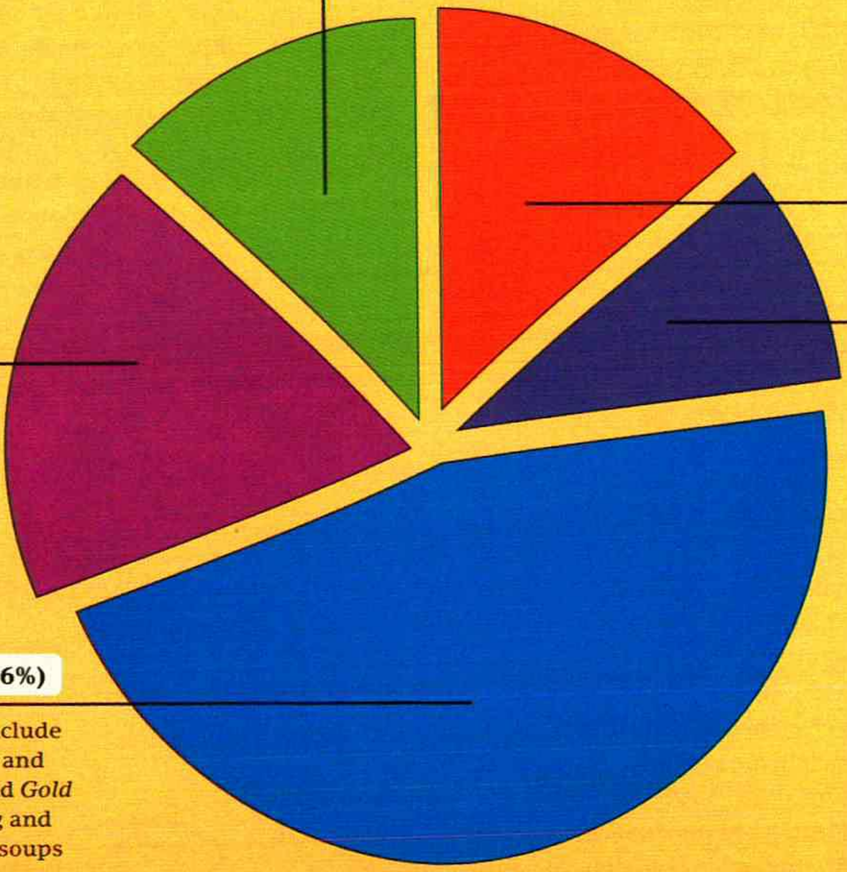
August 10, 2000

General Mills and Pillsbury A Stronger Portfolio

Combining General Mills and Pillsbury creates a $13 billion food company, focused on leading brands that compete in attractive categories worldwide.

Foodservice Sales **$1.7 billion (13%)**

With Pillsbury added, our foodservice business will quadruple in size, making us one of the top U.S. manufacturers in this fast-growing channel.



International Sales **$2.3 billion (18%)**

Our sales in fast-growing international markets will exceed $2 billion, including our share of CPW and SVE joint-venture revenues. Pillsbury's international operations give us manufacturing, distribution and sales infrastructure in a number of global markets.

Dry Grocery Sales **$5.8 billion (46%)**

In addition to our current products, which include Big G cereals, *Betty Crocker* mixes, *Chex Mix* and *Fruit Roll-Ups* snacks, *Hamburger Helper*, and *Gold Medal* flour, we'll offer two new great-tasting and convenient dry grocery brands — *Progresso* soups and *Old El Paso* Mexican foods.

Excludes revenues from businesses expected to be divested.

Geared for Faster Growt

Key Growth Drivers

We see four strategies as the keys to growing our business and creating shareholder value. The following pages of this report show how these strategies are fueling growth for our current businesses. We believe these same strategies will drive growth for Pillsbury brands.

Product Innovation

Innovation that keeps established brands vital and creates successful new food products is the key to superior unit volume growth. We will innovate to add value to our food brands, particularly in ways that add health benefits or make our products more convenient for consumers.

Channel Expansion

While traditional grocery stores still account for more than 80 percent of our sales, consumers' food purchases in other channels – from specialty stores to foodservice outlets – are growing at faster rates. We will leverage the strength of our brands in these emerging sales channels.

International Expansion

From Europe to Latin America to Asia, the markets for convenient, branded food products are showing strong growth. We will continue to expand our participation in international markets and build global food brands.

Margin Expansion

Productivity is the key to growing earnings faster than sales. We see plenty of opportunity still ahead to innovate and achieve ongoing productivity gains across the company.

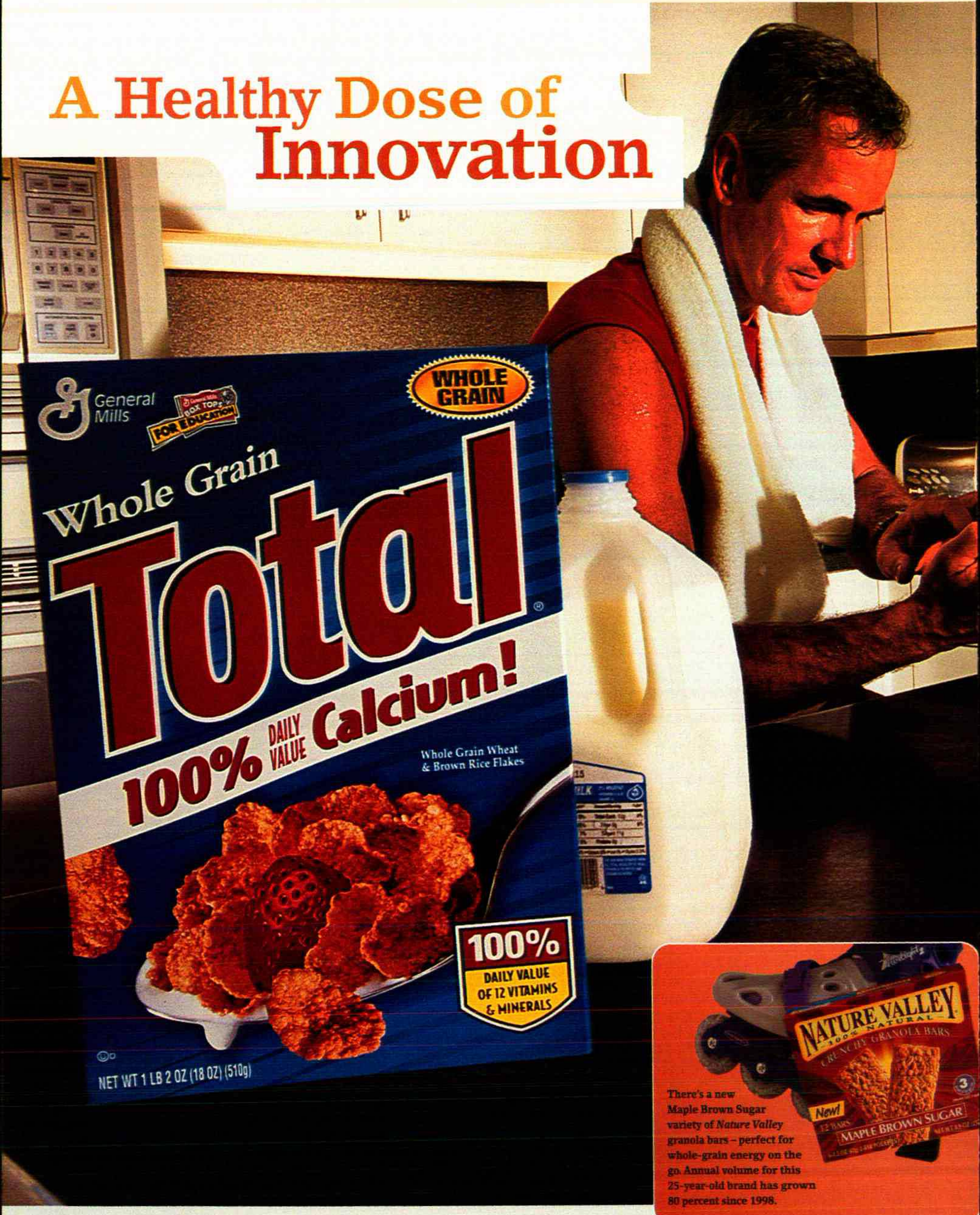
Refrigerated Sales **$1.8 billion (14%)**

We'll be the second-largest player in U.S. refrigerated grocery. Pillsbury's leadership position in the $1.5 billion refrigerated dough category complements our leading market shares in the $2 billion yogurt category and the $580 million market for refrigerated entrées.

Frozen Foods Sales **$1.2 billion (9%)**

We'll have a presence in the freezer case now, with *Pillsbury* frozen breakfast pastries and waffles, *Green Giant* frozen vegetables and meal starters, and *Totino's* frozen pizza and snacks. Pillsbury also markets *Häagen-Dazs* ice cream as part of a U.S. venture with Nestlé.

A Healthy Dose of Innovation


General Mills
BOX TOPS FOR EDUCATION
WHOLE GRAIN
Whole Grain
Total
100% DAILY VALUE Calcium!
Whole Grain Wheat & Brown Rice Flakes
100% DAILY VALUE OF 12 VITAMINS & MINERALS
NET WT 1 LB 2 OZ (18 OZ) (510g)
NATURE VALLEY
100% NATURAL
CRUNCHY GRANOLA BARS
New!
MAPLE BROWN SUGAR

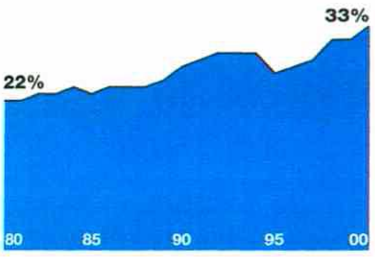
There's a new Maple Brown Sugar variety of *Nature Valley* granola bars – perfect for whole-grain energy on the go. Annual volume for this 25-year-old brand has grown 80 percent since 1998.

Go-Gurt delivers the health benefits of yogurt in a tube and is a huge hit with kids. Beginning this summer, *Yoplait* will offer the same spoon-free convenience for adult yogurt lovers with *Yoplait Exprèsse*.

Our growth plans begin with innovation – product improvements and new product ideas that meet the changing needs of consumers. Today, consumers want foods that deliver clear health benefits and still taste great. We're responding by improving the health credentials of established brands and developing nutritious new food products.

Healthy Gains for Big G Seven of Big G's top 10 cereal brands posted volume gains in 2000, due in large part to meaningful health news. Messages reminding consumers about the role *Cheerios* can play in reducing cholesterol helped increase that brand's retail volume 4 percent in fiscal 2000, and 20 percent since fiscal 1997. We fortified many Big G child and all-family cereals with calcium during 1999. That health news fueled retail volume gains of 4 percent for *Lucky Charms* and 6 percent for *Cinnamon Toast Crunch*. In addition, several of our top adult cereals, including *Wheaties*, *Total* and *Wheat Chex* are leveraging an FDA-approved health claim about the role of whole grains in reducing risk of heart disease and certain types of cancer.

Big G Dollar Market Share



Fiscal Year

Data: SAMI, ACNielsen

Healthy innovation has been key to Big G's consistent growth. Over the last two decades, Big G's share of category sales has increased an average of more than half a percentage point a year to reach a category-leading 33 percent.

We plan to fortify our growth prospects in 2001 with more health news. In June, the *Total* line of cereals became the first food to offer 100 percent of the daily value of calcium per serving. And in August 2000, Big G is introducing *Harmony* cereal to markets representing one-quarter of U.S. cereal volume. *Harmony* offers a combination of vitamins and nutrients women need, including calcium, antioxidants and soy protein.

Nourishing Yoplait and Colombo We are excited about the growth prospects for our *Yoplait* and *Colombo* yogurt brands. Yogurt is a great source of calcium, it's low in fat and calories, it has the digestive benefits of active cultures, and it tastes great. In 2000, total consumer volume for *Yoplait* and *Colombo* grew 24 percent. Combined dollar share increased 4 points, accounting for 35 percent of the yogurt category's $2 billion in sales. *Yoplait Go-Gurt* – the portable, kid-targeted yogurt in a tube – played a key role in that growth, capturing 7 percent of category sales since reaching national distribution in October 1999. We'll deliver the same portable nutrition to adults beginning August 2000, with the regional launch of *Yoplait Exprèsse*.

Meaningful health news, like the cholesterol-lowering benefits of *Cheerios* and the extra calcium in *Kix*, keeps established brands growing. New *Harmony* cereal is specially fortified to meet the unique health needs of women.

Consumers today have less time than ever to prepare and eat meals. Many don't have time to make a sandwich for lunch, let alone make dinner from scratch. So in addition to health, our innovation efforts will focus on helping consumers keep pace with their hectic lifestyles by creating more convenient, great-tasting food products.

Cooking Convenience by Betty Crocker For decades, consumers have looked to *Betty Crocker* for cooking convenience. At dinnertime, our *Helper* brand is a great-tasting, convenient family favorite. In fiscal 1999, we extended the *Helper* franchise with the introduction of *Chicken Helper*, and in 2000 this line captured a 10 percent share of dinner mix category sales. More *Helper* innovation is on the menu for fiscal 2001, including three new flavors of *Hamburger Helper* and a line of *Chicken Helper Oven Favorites*, which are baked instead of prepared in a skillet.

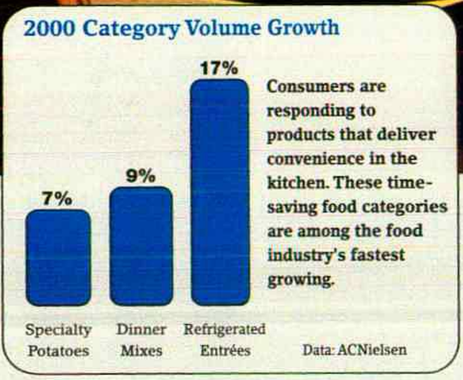
Betty Crocker is now bringing convenience to lunch, with new *Bowl Appétit!* rice and pasta bowls – great-tasting, single-serve lunch bowls that are made with quality ingredients. *Bowl Appétit!* is portable and can be prepared in just five minutes, so it's perfect for consumers who are looking for convenient lunchtime solutions. *Betty Crocker* also is helping consumers find time for fresh-baked desserts. New flavor varieties shipping in fiscal 2001 include a line of baked cheesecake mixes and convenient mix versions of two traditional Hispanic dessert favorites – flan and rice pudding.

Lloyd's Is Really Heating Up For consumers who don't have even 20 minutes to make *Hamburger Helper* for dinner, our *Lloyd's* brand of refrigerated entrées is microwavable and ready to eat in under eight minutes. *Lloyd's* markets barbecued shredded pork, chicken and beef, and competes in the ultra-convenient, $580 million refrigerated entrées category. A growing number of consumers are discovering *Lloyd's* unbeatable combination of great taste and convenience – last year consumer volume increased 29 percent in a category where volume grew 17 percent.

Innovation for a Mobile World The ongoing success of *Go-Gurt* and *Nature Valley* granola bars shows that consumers are looking for portable, healthy snacks they can eat on the go. Consumers continue to respond to *Colombo* yogurt's spoon-in-the-lid packaging, which is driving good growth in its core Northeastern markets. This year, Big G will target time-crunched consumers with the regional launch of Milk 'n Cereal Bars, which offer all the nutrition of a bowl of cereal and milk and are perfect for hectic mornings or a healthy snack any time of day.

Lloyd's
BARBEQUE
SHREDDED PORK
NEW!
Betty Crocker
Bowl Appétit!
PASTA ALFREDO
Ribbon pasta tossed in a classic Alfredo cream sauce
No Preservatives or Artif

Lloyd's **refrigerated entrées offer great-tasting, heat-and-eat dinner options.** ***Lloyd's*** **is the number one brand in the ultra-convenient, $580 million refrigerated entrées category.**



Consumers are responding to products that deliver convenience in the kitchen. These time-saving food categories are among the food industry's fastest growing.

Data: ACNielsen

Variety and convenience are the keys to growing *Betty Crocker's* mix businesses. In 2001, we'll introduce four varieties of *Chicken Helper Oven Favorites*, and expand our line of pouch cookie mixes, which make fresh-baked cookies a 20-minute possibility.

More Than Ever, Convenience Counts

Now cereal is ready for dashboard dining. With Big G's Milk 'n Cereal Bars, consumers can eat a cereal breakfast without a bowl or a spoon. These portable bars are a good source of protein and an excellent source of calcium.

Reaching Consumers in New Places

Two of the strongest brands in the fast-growing organic and natural foods channel are *Cascadian Farm* and *Muir Glen*, which we acquired in January 2000. Together these brands hold number one or number two market positions in nine categories.

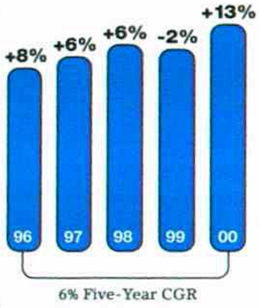
re
essfully
raging *Gardetto's*
ng presence in conven-
e stores and vending
hines to build distribu-
for other General Mills
k brands, such as *Chex Mix*.

Traditional grocery stores account for over 80 percent of our volume today, but we see great opportunity to build our distribution in faster-growing alternative channels – places such as school cafeterias, specialty food outlets, convenience stores and vending machines. Simply put, our goal is to ensure that General Mills' brands are everywhere consumers are, and everywhere they want to eat.

Reaching More Foodservice Consumers

In fiscal 2000, General Mills' Foodservice division registered a 13 percent volume gain. That includes the contribution of the acquired *Gardetto's* brand, but even without that incremental volume, our established business was up 8 percent. That growth was led by strong demand for General Mills' cereal brands, particularly in school cafeterias. In addition, more and more foodservice consumers are reaching for our yogurt brands. General Mills' foodservice refrigerated yogurt volume expanded 15 percent last year, led by *Trix* yogurt for kids and the second half introduction of *Go-Gurt*. We also worked with McDonald's restaurants to develop its Fruit 'n Yogurt Parfait™. General Mills is the leading supplier of yogurt and granola for this promising new menu item.

Foodservice Unit Volume Growth
(cases)



General Mills' brands are growing in channels beyond the traditional grocery store. Volume for our brands in foodservice outlets has expanded at a 6 percent compound rate since 1995.

Our snack brands also are recording good growth in alternative channels. Last year, General Mills improved the distribution of its snack brands in vending machines and convenience stores by leveraging the distribution network of *Gardetto's*, which records about two-thirds of its volume in nongrocery channels. Fiscal 2000 unit volume from vending was up 31 percent, and snacks volume in convenience stores more than doubled. Our total snack volume, in grocery and nongrocery channels combined, rose 10 percent, with double-digit gains for fruit snacks and *Chex Mix*.

Consumers enjoy General Mills' bowlpack cereal in a growing number of locations, such as school cafeterias and airplanes. Last year, our foodservice cereal volume grew 7 percent and our market share increased 3 points to 35 percent.

Organic Growth Our acquisition of Small Planet Foods' *Cascadian Farm* and *Muir Glen* brands in January 2000 makes General Mills a participant in the fast-growing channels for organic foods. Sales for organic food products have grown at a 17 percent compound rate since 1993. Roughly half of those sales flow through specialty retail outlets where *Cascadian Farm* and *Muir Glen* hold leading share positions. These brands have strong credibility with consumers who shop in these outlets, and we see great opportunities to leverage this brand strength in additional product categories.

Growing Global Brands

Consumers the world over are looking for great-tasting, healthy and convenient food brands, so our third growth strategy is to build General Mills' brands internationally. In fiscal 2000, each of our international operations posted volume gains, and our total international volume grew 6 percent. Going forward, we expect our global brands to deliver good volume and sales growth and to make an increasing profit contribution.

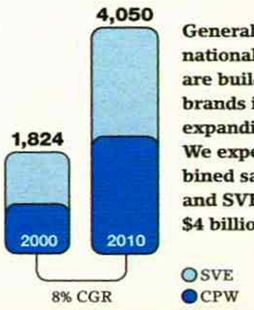
Growing Joint Ventures Cereal Partners Worldwide (CPW), our cereal joint venture with Nestlé, now holds a 20 percent market share across 75 international markets. CPW posted 9 percent volume growth in 2000 and registered share gains in most of its largest markets across Europe, Latin America and Asia. In the U.K., the venture's largest market, CPW's share of category volume increased 2 points to 23 percent. In France, volume grew 14 percent, driven by good growth for the established *Fitness* brand, a health-focused cereal for women, and great introductory performance by *Crunch* cereal, which leverages Nestlé's best-selling chocolate bar brand. CPW's plans for calendar 2000 include the introduction of *La Lechera* cereal to Mexico, capitalizing on that strong Nestlé dairy equity.

General Mills has marketed a full range of food products in Canada since the 1950s. We're currently building a desserts business in Mexico, and a savory snacks business in China.

Snack Ventures Europe (SVE), our joint venture with PepsiCo, is continental Europe's largest snack company with nearly $1 billion in sales. Last year, SVE stabilized its business in Russia, recording strong year-over-year volume improvement for the second half. In addition, volume in SVE's core Western European markets grew 6 percent in fiscal 2000. We expect SVE to achieve good volume and profit progress in 2001 and beyond.

Joint Ventures 2010 Sales Goal

(dollars in millions)



General Mills' international joint ventures are building powerful brands in rapidly expanding markets. We expect total combined sales for CPW and SVE to exceed $4 billion by 2010.

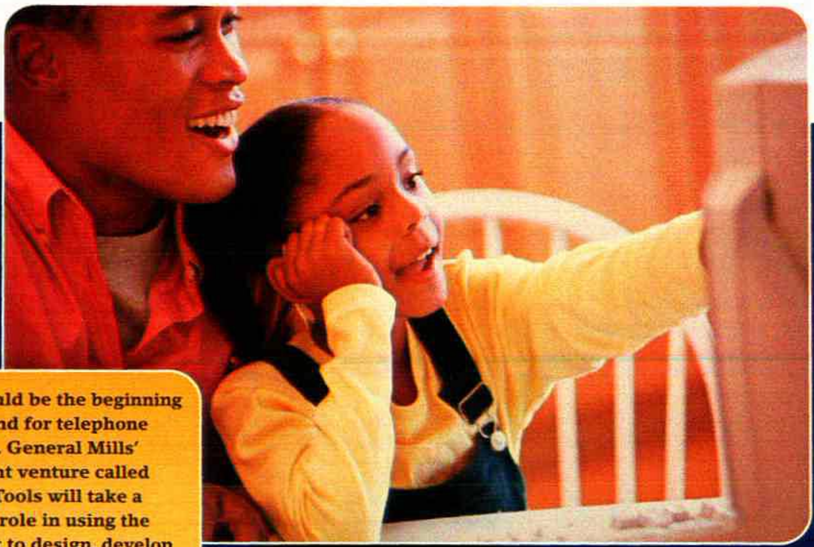
Worldwide Market Opportunities Total volume for General Mills Canada grew 3 percent in fiscal 2000. Importantly, we expanded our number two cereal share position nearly 1 point to 18 percent of the Canadian market. General Mills currently is establishing a savory snacks business in China, where increasing levels of disposable income are expected to drive market growth. In December 1999, we began selling *Bugles* in three markets, and are expanding to an additional two markets this summer. In Mexico, General Mills is building a baking mix business, having acquired the business established there by our former IDP joint venture. This fall, General Mills de Mexico will begin marketing fruit snacks and microwave popcorn in that growing NAFTA market.

SVE's leading brands, which include *Lay's* and *Bugles 3-D's*, hold the number one or number two share position in markets across Western Europe. Total SVE volume has expanded at a 10 percent compound rate since 1992.

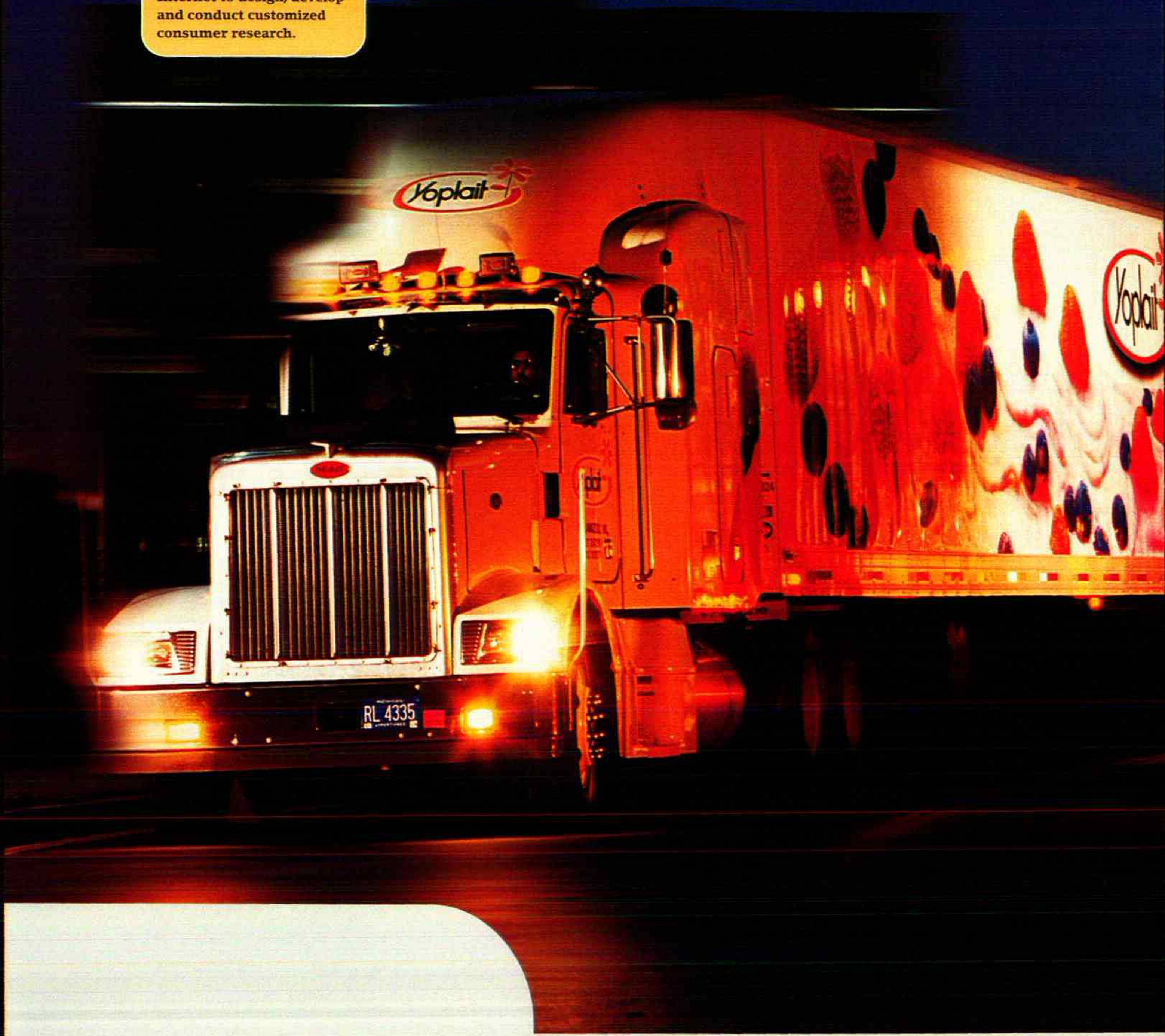
Parents around the world are concerned about getting enough calcium in children's diets. Beginning this calendar year, CPW is leveraging General Mills' technology to fortify all of its child cereal brands with extra calcium. Initial consumer response to this innovation has been very positive.

International Business Summary

In Millions, Fiscal Year Ended	2000	1999	1998	1997	1996
Joint Ventures					
Pro rata sales	$ 824.6	$ 826.3	$ 780.7	$ 728.2	$705.7
Earnings after tax	3.3	(8.2)	(2.9)	(6.3)	(2.8)
Invested capital	197.8	189.4	214.3	234.6	229.8
100% Owned					
Sales	313.6	287.8	294.1	274.5	260.5
Earnings after tax	10.5	11.0	18.7	17.5	18.8
Invested capital	95.2	81.6	74.7	109.9	107.4
Total International					
Sales	1,138.2	1,114.1	1,074.8	1,002.7	966.2
Earnings after tax	13.8	2.8	15.8	11.2	16.0
Invested capital	293.0	271.0	289.0	344.5	337.2

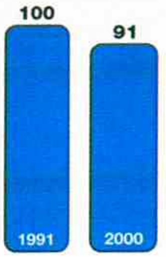


This could be the beginning of the end for telephone surveys. General Mills' new joint venture called InsightTools will take a leading role in using the Internet to design, develop and conduct customized consumer research.



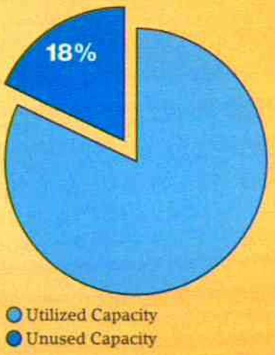
Delivering Productivity

Manufacturing and Distribution Cost Per Case *(index: 1991 = 100)*



General Mills' cost to manufacture and distribute a case of product is 9 percent lower today than it was in 1991, despite 3 percent annual average inflation for our input costs.

U.S. Transportation Capacity Utilization



Empty space on a truck is a wasted resource. Currently, an estimated 18 percent of total truck miles are empty miles, so eliminating this waste represents a big cost-savings opportunity. We expect our Web-based logistics alliance to help optimize distribution assets and deliver productivity gains.

Data: International Data Corporation

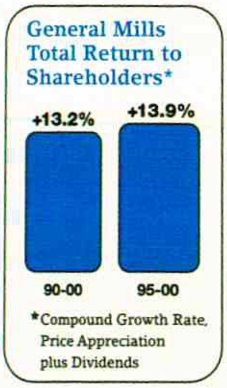
Productivity gains are the key to growing earnings faster than sales. In fiscal 2000, innovations across our supply chain and marketing activities helped expand General Mills' operating margin to 16.4 percent. We believe there is great opportunity to continue innovating to deliver savings to our bottom line.

Supply Chain Gains In fiscal 1999, we announced an initiative to combine the supply chains of our packaged food, foodservice and milling operations. That consolidation helped drive a more than 1 percentage point increase in General Mills' gross margin in 2000. Going forward, we believe one of our biggest opportunities is to expand the scope of our supply chain. We're already doing this with a number of our suppliers, contract manufacturers and other firms. For example, General Mills and Land O' Lakes have entered into an alliance to optimize the use of our refrigerated distribution assets. The Internet makes these supply chain partnerships even more powerful by allowing us to expand alliances to larger networks. One example of this is the Web-based logistics alliance we announced last year with 11 other companies. The network, which uses technology from Nistevo.com, allows manufacturers and freight carriers to match shipments and destinations with available trucks. This broad-scale collaboration will reduce empty miles, streamline administrative tasks and improve customer service. For General Mills, we think this innovation can reduce our per-case logistics expense by 4 to 7 percent over time. We also expect our participation in the Transora e-marketplace to deliver productivity gains. Transora brings the purchasing leverage of 49 global consumer product companies into a virtual marketplace.

Marketing Spending Productivity We see opportunities to drive productivity savings in our marketing and sales efforts, too. For example, we've developed proprietary software that analyzes the incremental volume, cost and profit of trade promotions – by specific product and trade account. With this tool, we expect to significantly increase the effectiveness of our trade spending, driving profitable volume growth for our customers and General Mills. We're also using the Internet as a tool to conduct consumer research. Online research is much faster, and it costs about 50 percent less. Moreover, we think the insights gained from online research are better. Through a strategic partnership with MarketTools, a leading provider of Web-based market research, we've committed to conducting an increasing portion of our consumer research online.

Management's Discussion and Analysis

General Mills' fundamental business goal is to generate superior financial returns for our shareholders over the long term. We believe the key to creating shareholder value is to deliver a combination of good earnings growth, high returns on invested capital and strong cash flows. Over the longer term, General Mills has delivered consistently strong returns to shareholders, including a return of 13.2 percent compounded annually over the last decade and a 13.9 percent compound annual return over the last five years.


General Mills Total Return to Shareholders*

*Compound Growth Rate, Price Appreciation plus Dividends

This section of the annual report discusses our performance against the key drivers of shareholder return, including recent earnings growth and cash flows. It also discusses our financial position and risk management.

Results of Operations – 2000 vs. 1999

General Mills achieved record financial results in fiscal 2000. Reported sales grew 7 percent to reach $6.70 billion. Including the company's proportionate share of international joint venture revenues, worldwide sales reached $7.52 billion. Operating profits grew faster than sales, rising 8 percent to $1.10 billion. Earnings after tax also grew 8 percent before unusual items recorded in 1999, and exceeded $614 million. These earnings totaled $2.00 per diluted share, up 11 percent from $1.80 earned before unusual items in fiscal 1999. Throughout this report, per-share figures have been adjusted for the two-for-one stock split effected in November 1999.

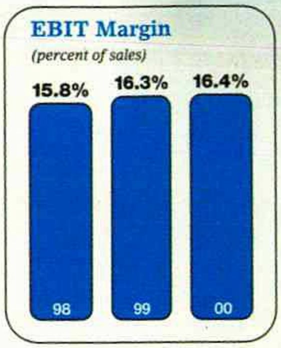
Our 2000 sales growth reflected broad-based unit volume gains. Total U.S. unit volume rose 7 percent. Incremental volume from businesses acquired in fiscal 1999 (*Lloyd's* refrigerated entrées and *Farmhouse* side dish mixes) and fiscal 2000 (*Gardetto's* snacks and *Small Planet Foods* organic products) accounted for approximately 3 percentage points of the annual gain.

Big G cereal sales grew to $2.58 billion and annual unit volume increased 2 percent. This growth was achieved despite a fourth-quarter volume decline of 5 percent, the result of a difficult comparison against introductory shipments of three new cereals in the previous year's final quarter. U.S. cereal category volume in all ACNielsen-measured markets declined 1 percent in fiscal 2000, but retail consumer movement for Big G cereal brands was up 3 percent. As a result, Big G's share of market pound volume increased by more than a full percentage point, to a record 27 percent, and share of category dollar sales grew to 33 percent.

Combined unit volume for U.S. noncereal operations grew 10 percent in 2000. Convenience foods (snacks and yogurt) posted the fastest growth, with unit volume up 13 percent in total, 10 percent excluding acquisitions. Combined unit volume for *Betty Crocker* baking, side dish and dinner mix products grew 2 percent for the year. Foodservice volume increased 13 percent in 2000, reflecting strong growth for bowlpack cereals, incremental volume from *Gardetto's*, and increasing sales of General Mills products in vending and convenience store channels.

General Mills' international sales grew to $1.14 billion in 2000. This total included $314 million in consolidated revenues from fully owned businesses, and $825 million representing General Mills' proportionate share of sales by partially owned joint ventures. Volume for General Mills' international operations increased 6 percent in 2000. In Canada, cereal unit volume rose 5 percent and the company's pound market share grew nearly 1 percentage point to a record 18 percent. Total volume for Snack Ventures Europe (SVE), the company's joint venture with PepsiCo, was up 5 percent. Cereal Partners Worldwide (CPW), the company's joint venture with Nestlé, recorded a 9 percent annual volume gain and posted share increases in markets across Europe, Latin America and the ASEAN countries. General Mills recorded $3.3 million in after-tax profits from the joint ventures in 2000 compared to a loss of $8.2 million the preceding year.

Productivity gains, operating leverage created by unit volume growth, and favorable raw material costs enabled General Mills to reduce cost of goods sold to 40.3 percent of sales in 2000, down from 41.5 percent in the prior year. We reinvested some of those savings in marketing programs to support established brands and a high level of new product introductions in 2000. As a result, selling, general and administrative expense increased to 43.3 percent of sales in 2000, up 110 basis points. Nevertheless, our operating margin increased for the year, with earnings before interest and taxes (EBIT) totaling 16.4 percent of sales.


EBIT Margin

(percent of sales)

Net interest expense totaled $151.9 million in 2000, up from $119.4 million in the previous year. The significant increase reflects higher debt levels associated with acquisitions totaling $227 million that were made during the year, and with the repurchase of 23.2 million shares of General Mills common stock. We expect our interest expense to be significantly higher in 2001, reflecting the full-year impact of our fiscal 2000 share repurchases and acquisitions, higher rates, and the incremental debt to be associated with our proposed acquisition of the worldwide Pillsbury operations from Diageo.

The effective tax rate for General Mills in 2000 was 35.5 percent, down from 36.0 percent before unusual items in 1999. If our acquisition of Pillsbury is completed in fiscal 2001, our effective tax rate will be higher. Goodwill amortization associated with this proposed acquisition is not tax deductible.

It is our view that changes in the general rate of inflation have not had a significant effect on profitability over the three most recent years. We attempt to minimize the effects of inflation through appropriate planning and operating practices. Our market risk management practices are discussed later in this section.

For a discussion of new accounting rules that take effect in future fiscal years, see Note One to the consolidated financial statements.

Fiscal 1999 vs. 1998

Our fiscal 1999 results included good gains in sales, earnings and earnings per share, despite a difficult comparison with a 53-week fiscal year in 1998. Reported sales grew 4 percent to reach $6.25 billion. Earnings after tax grew 9 percent before unusual items to $566.8 million. Earnings per diluted share before unusual items grew 12 percent to a split-adjusted $1.80.

Total domestic unit volume grew 3 percent in 1999, even though the year included fewer shipping days than fiscal 1998. Each of the company's major retail businesses posted annual volume gains. In addition, the *Lloyd's* refrigerated entrées business and *Farmhouse* side dish mixes acquired during the year contributed incremental volume.

Big G cereal sales grew to $2.47 billion and annual unit volume increased 1 percent. Combined volume for domestic noncereal operations rose 5 percent in 1999. That growth included a double-digit increase in yogurt volume, strong gains by key snack food lines, and a 1 percent volume increase for the *Betty Crocker* baking product, side dish and dinner mix businesses. Foodservice volume declined 2 percent in total, reflecting lower baking mix volume, but cereal, snacks and cup yogurt all posted volume gains.

International operations posted 2 percent unit volume growth in 1999, but after-tax earnings declined due to Canadian foreign exchange effects, difficult economic conditions in Russia, and costs associated with the acquisition of several European snack brands by SVE.

Fiscal 1998 earnings before unusual items totaled $522 million and diluted earnings per share grew 10 percent to $1.61. Reported sales grew 8 percent to $6.03 billion. Results for this fiscal year included 53 weeks.

Cash Flows

Sources and uses of cash in the past three years are shown in the table below. Over this three-year period, General Mills' operations have generated more than $2.1 billion in cash. In 2000, cash flow from operations totaled $690 million. That was essentially unchanged from last year's total, due to increased use of working capital. The major factor was higher inventories related to additions from acquired businesses and our decision to buy forward against future wheat needs. We have a goal of reducing our use of working capital in fiscal 2001.

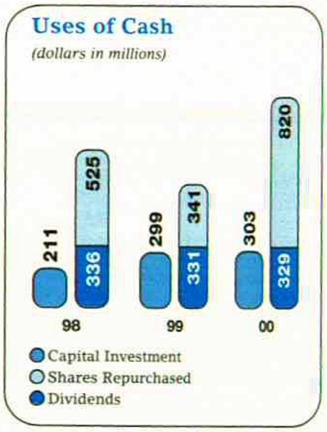
Cash Sources (Uses)

In Millions	**2000**	1999	1998
From continuing operations	**$ 690.5**	$ 690.1	$ 775.3
From discontinued operations	**(2.8)**	(3.9)	(5.8)
Fixed assets, net	**(262.2)**	(269.1)	(181.5)
Investments in businesses, intangibles and affiliates, net	**(294.7)**	(151.5)	(9.5)
Change in marketable securities	**(5.8)**	7.7	29.7
Other investments, net	**(1.0)**	38.0	(42.0)
Increase in outstanding debt – net	**956.1**	273.8	198.9
Common stock issued	**110.1**	92.8	92.5
Treasury stock purchases	**(819.7)**	(340.7)	(524.9)
Dividends paid	**(329.2)**	(331.4)	(336.3)
Other	**(19.6)**	(8.3)	(2.8)
Increase (Decrease) in cash and cash equivalents	**$ 21.7**	$ (2.5)	$ (6.4)

Capital investment spending for fixed assets and joint venture development totaled $303 million in 2000, compared with $299 million in the previous year. We made investments to add capacity for several fast-growing businesses, including *Yoplait Go-Gurt* and original cup yogurt products, fruit snacks and granola bars. In 2001, fixed asset investment for General Mills' current businesses is expected to be comparable to 2000 levels. If we complete our acquisition of the Pillsbury businesses in December 2000 as planned, we would expect total fixed asset spending for 2001 to be approximately $400 million.

Shareholder dividends grew 2 percent in 2000 to $1.10 per share, a payout of 54 percent of earnings. We currently expect to maintain our dividend at the prevailing rate, with the ongoing objective to reach a payout level that is in line with our peer group average. Today, that average is in the low 40 percent range.

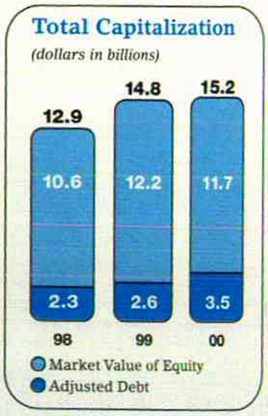
Cash returned to shareholders through share repurchases totaled approximately $820 million in 2000, representing 23.2 million shares. The General Mills Board of Directors had authorized accelerated share repurchases during the year in response to low market prices for General Mills stock. The majority of our share repurchases were made on the open market after February 2000, at an average price of about $34 per share.


Uses of Cash
(dollars in millions)

Financial Condition

We believe that the most important measures of our financial strength are the ratios of fixed charge coverage and cash flow to debt. In fiscal 2000, fixed charge coverage was 6.3 times. Cash flow to debt declined to 25 percent, reflecting higher debt levels associated with share repurchases, acquisitions and higher working capital use. In conjunction with our proposed acquisition of the Pillsbury businesses, which would include $5.14 billion of new debt, the rating agencies have reviewed General Mills' financial condition and future plans. Standard and Poor's Corporation has issued new ratings of "A-" on our publicly issued long-term debt, and "A-2" on our commercial paper. Moody's Investors Services, Inc. is currently reviewing our plans, but has not issued any change to our current ratings of "A2" for long-term debt and "P-1" for our commercial paper. Dominion Bond Rating Service in Canada currently rates General Mills' long-term debt at "A" (under review) and our commercial paper at "R-1 (low)."

As a result of our share repurchases and the required accounting treatment for them, book stockholders' equity declined from $164 million last year to a deficit of $289 million in 2000. The market value of General Mills' stockholders' equity was $11.7 billion as of May 28, 2000, calculated at a year-end price of $41.00 per share with 285.4 million basic shares outstanding. Our capital structure is shown in the following table.


Total Capitalization
(dollars in billions)

Capital Structure

In Millions	May 28, 2000	May 30, 1999
Notes payable	**$1,085.8**	$ 524.4
Current portion of long-term debt	**413.5**	90.5
Long-term debt	**1,760.3**	1,702.4
Deferred income taxes – tax leases	**89.8**	111.3
Total debt	**3,349.4**	2,428.6
Debt adjustments:		
Leases – debt equivalent	**242.5**	235.0
Marketable investment, at cost	**(112.4)**	(104.1)
Adjusted debt	**3,479.5**	2,559.5
Stockholders' equity	**(288.8)**	164.2
Total capital	**$3,190.7**	$2,723.7

The debt equivalent of our leases and deferred income taxes related to tax leases are both fixed-rate obligations. The accompanying table, when reviewed in conjunction with the capital structure table above, shows the composition of our debt structure including the impact of the use of derivative instruments.

Debt Structure

In Millions	May 28, 2000		May 30, 1999	
Floating-rate debt	**$1,594.9**	**46%**	$ 976.9	39%
Fixed-rate debt	**1,552.3**	**45**	1,236.3	48
Leases – debt equivalent	**242.5**	**7**	235.0	9
Deferred income taxes – tax leases	**89.8**	**2**	111.3	4
Adjusted debt	**$3,479.5**	**100%**	$2,559.5	100%

Commercial paper is a continuing source of short-term financing. We can issue commercial paper in the United States and Canada, as well as in Europe through a program established during fiscal 1999. Bank credit lines are maintained to ensure availability of short-term funds on an as-needed basis. As of May 28, 2000, we had fee-paid credit lines of $1.5 billion and $63.5 million uncommitted, no-fee lines available in the United States and Canada.

Our domestic shelf registration statement permits us to issue up to $284 million net proceeds in unsecured debt securities. The shelf registration authorizes a medium-term note program that provides additional flexibility in quickly accessing the debt markets.

Market Risk Management

Our company is exposed to market risk stemming from changes in interest rates, foreign exchange rates and commodity prices. Changes in these factors could cause fluctuations in our earnings and cash flows. In the normal course of business, we actively manage our exposure to these market risks by entering into various hedging transactions, authorized under company policies that place clear controls on these activities. The counterparties in these transactions are highly rated financial institutions. Our hedging transactions include (but are not limited to) the use of a variety of derivative financial instruments. We use derivatives only where there is an underlying exposure; we do not use them for trading or speculative purposes. Additional information regarding our use of financial instruments is included in Note Eight to the consolidated financial statements.

Interest rates – We manage our debt structure and our interest-rate risk through the use of fixed- and floating-rate debt, and through the use of derivatives. We use interest-rate swaps to hedge our exposure to interest rate changes, and also to lower our financing costs. Generally under these swaps, we agree with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed notional principal amount. Our primary exposure is to U.S. interest rates.

Foreign currency rates – Foreign currency fluctuations can affect our net investments and earnings denominated in foreign currencies. We primarily use foreign currency forward contracts and option contracts to selectively hedge our exposure to changes in exchange rates. These contracts function as hedges, since they change in value inversely to the change created in the underlying exposure as foreign exchange rates fluctuate. Our primary exchange rate exposure is with various European currencies and the Canadian dollar against the U.S. dollar.

Commodities – Certain ingredients used in our products are exposed to commodity price changes. We manage this risk through an integrated set of financial instruments, including purchase orders, noncancelable contracts, futures contracts, futures options and swaps. Our primary commodity price exposures are to cereal grains, sugar, fruits, other agricultural products, vegetable oils, packaging materials and energy costs.

Value at risk – These estimates are intended to measure the maximum potential fair value or earnings General Mills could lose in one day from adverse changes in market interest rates, foreign exchange rates or commodity prices, under normal market conditions. A Monte Carlo (VAR) methodology was used to quantify the market risk for our exposures. The models assumed normal market conditions and used a 95 percent confidence level.

The VAR calculation uses historical interest rates, foreign exchange rates and commodity prices from the past year to estimate the potential volatility and correlation of these rates in the future. The market data were drawn from the RiskMetrics™ data set. The calculations are not intended to represent actual losses in fair value or pre-tax earnings that we expect to incur. Further, since the hedging instrument (the derivative) inversely correlates with the underlying exposure, we would expect that any loss or gain in the fair value of our derivatives would be generally offset by an increase or decrease in the fair value of our underlying exposures. The positions included in the calculations were: debt, investments, interest rate swaps, foreign exchange forwards and commodity swaps, futures, and options. The calculations do not include the underlying foreign exchange and commodities-related positions that are hedged by these market-risk sensitive instruments.

The table below presents the estimated maximum potential one-day loss in fair value or pre-tax earnings for our interest rate, foreign currency, and commodity market-risk sensitive instruments outstanding on May 28, 2000. The figures were calculated using the VAR methodology described above.

	Fair Value Impact		
In Millions	At 5/28/2000	Average during 2000	At 5/30/1999
Interest rate instruments	5.3	4.5	6.8
Foreign currency instruments	.7	.7	.8
Commodity instruments	.3	1.1	1.1

	Pre-tax Earnings Impact		
In Millions	At 5/28/2000	Average during 2000	At 5/30/1999
Interest rate instruments	4.4	4.1	.3
Foreign currency instruments	.9	.6	.4
Commodity instruments	.3	1.1	1.1

Forward-Looking Statements

Throughout this report to shareholders, we discuss some of our expectations regarding the company's future performance. All of these forward-looking statements are based on our current views and assumptions. Actual results could differ materially from these current expectations, and from historical performance.

In particular, our predictions about the Pillsbury acquisition could be affected by regulatory and shareholder approvals; integration problems; failure to achieve synergies; unanticipated liabilities; inexperience in new business lines; and changes in the competitive environment. In addition, our future results also could be affected by a variety of factors such as: competitive dynamics in the U.S. ready-to-eat cereal market; the impact of competitive products and pricing; product development; actions of competitors other than as described above; acquisitions or dispositions of businesses or assets; changes in capital structure; changes in laws and regulations, including changes in accounting standards; customer demand; effectiveness of advertising and marketing spending or programs; consumer perception of health-related issues; economic conditions, including changes in inflation rates or interest rates; fluctuations in the cost and availability of supply-chain resources; and foreign economic conditions, including currency rate fluctuations. The company undertakes no obligation to publicly revise any forward-looking statements to reflect future events or circumstances.

Report of Management Responsibilities

The management of General Mills, Inc. is responsible for the fairness and accuracy of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles that are generally accepted in the United States, using management's best estimates and judgments where appropriate. The financial information throughout this report is consistent with our consolidated financial statements.

Management has established a system of internal controls that provides reasonable assurance that assets are adequately safeguarded and transactions are recorded accurately in all material respects, in accordance with management's authorization. We maintain a strong audit program that independently evaluates the adequacy and effectiveness of internal controls. Our internal controls provide for appropriate separation of duties and responsibilities, and there are documented policies regarding utilization of Company assets and proper financial reporting. These formally stated and regularly communicated policies demand highly ethical conduct from all employees.

The Audit Committee of the Board of Directors meets regularly with management, internal auditors and independent auditors to review internal control, auditing and financial reporting matters. The independent auditors, internal auditors and employees have full and free access to the Audit Committee at any time.

The independent auditors, KPMG LLP, were retained to audit our consolidated financial statements. Their report follows.

SW Sanger

S. W. Sanger
Chairman of the Board and
Chief Executive Officer

J. A. Lawrence
Executive Vice President and
Chief Financial Officer

Report of the Audit Committee

The Audit Committee of the Board of Directors is composed of six outside directors. It oversees the Company's system of internal controls, financial reporting practices and audits to determine that their quality, integrity and objectivity are sufficient to protect stockholder interests.

The Audit Committee met three times during 2000 to review the overall audit scope, plans and results of the internal audits and independent audits, the Company's internal controls, emerging accounting issues, officer and director expenses, audit fees, goodwill and other intangible values, and the audits of the employee benefit plans. The Committee also met separately without management present and with the independent auditors to discuss the audits. Acting with other Board members, the Committee also reviewed the Company's annual financial statements before issuance. Audit Committee meeting results were reported to the full Board of Directors. The Audit Committee recommended to the Board that KPMG LLP be reappointed for fiscal 2001, subject to the ratification of stockholders at the annual meeting.

The Audit Committee is satisfied that the internal control system is adequate and that the Company employs appropriate accounting and auditing procedures.

A. Michael Spence

A. M. Spence
Chairman, Audit Committee

Independent Auditors' Report

The Stockholders and the Board of Directors of
General Mills, Inc.:

We have audited the accompanying consolidated balance sheets of General Mills, Inc. and subsidiaries as of May 28, 2000 and May 30, 1999, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the fiscal years in the three-year period ended May 28, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Mills, Inc. and subsidiaries as of May 28, 2000 and May 30, 1999, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended May 28, 2000 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Minneapolis, Minnesota
June 26, 2000, except as to Note Two,
which is as of July 17, 2000

Consolidated Statements of Earnings

In Millions, Except per Share Data, Fiscal Year Ended	May 28, 2000	May 30, 1999	May 31, 1998
Sales	**$6,700.2**	$6,246.1	$6,033.0
Costs and Expenses:			
Cost of sales	**2,697.6**	2,593.5	2,537.9
Selling, general and administrative	**2,903.7**	2,634.9	2,544.9
Interest, net	**151.9**	119.4	117.2
Unusual items	**–**	51.6	166.4
Total Costs and Expenses	**5,753.2**	5,399.4	5,366.4
Earnings before Taxes and Earnings (Losses) from Joint Ventures	**947.0**	846.7	666.6
Income Taxes	**335.9**	304.0	241.9
Earnings (Losses) from Joint Ventures	**3.3**	(8.2)	(2.9)
Net Earnings	**$ 614.4**	$ 534.5	$ 421.8
Earnings per Share – Basic	**$ 2.05**	$ 1.74	$ 1.33
Average Number of Common Shares	**299.1**	306.5	316.3
Earnings per Share – Diluted	**$ 2.00**	$ 1.70	$ 1.30
Average Number of Common Shares – Assuming Dilution	**307.3**	314.7	324.6

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

In Millions	May 28, 2000	May 30, 1999
Assets		
Current Assets:		
Cash and cash equivalents	$ 25.6	$ 3.9
Receivables, less allowance for doubtful accounts of $5.8 in 2000 and $4.7 in 1999	500.6	490.6
Inventories	510.5	426.7
Prepaid expenses and other current assets	87.7	83.7
Deferred income taxes	65.9	97.6
Total Current Assets	1,190.3	1,102.5
Land, Buildings and Equipment at cost, net	1,404.9	1,294.7
Other Assets	1,978.5	1,743.5
Total Assets	$4,573.7	$4,140.7
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$ 641.5	$ 647.4
Current portion of long-term debt	413.5	90.5
Notes payable	1,085.8	524.4
Accrued taxes	104.9	135.0
Accrued payroll	142.4	138.6
Other current liabilities	141.0	164.4
Total Current Liabilities	2,529.1	1,700.3
Long-term Debt	1,760.3	1,702.4
Deferred Income Taxes	297.2	288.9
Deferred Income Taxes – Tax Leases	89.8	111.3
Other Liabilities	186.1	173.6
Total Liabilities	4,862.5	3,976.5
Stockholders' Equity:		
Cumulative preference stock, none issued	–	–
Common stock, 408.3 shares issued	680.6	657.9
Retained earnings	2,113.9	1,827.4
Less common stock in treasury, at cost, shares of 122.9 in 2000 and 104.3 in 1999	(2,934.9)	(2,195.3)
Unearned compensation	(62.7)	(68.9)
Accumulated other comprehensive income	(85.7)	(56.9)
Total Stockholders' Equity	(288.8)	164.2
Total Liabilities and Equity	$4,573.7	$4,140.7

See accompanying notes to consolidated financial statements.

Cheerios®

Consolidated Statements of Cash Flows

In Millions, Fiscal Year Ended	May 28, 2000	May 30, 1999	May 31, 1998
Cash Flows – Operating Activities:			
Net earnings	**$ 614.4**	$ 534.5	$ 421.8
Adjustments to reconcile net earnings to cash flow:			
Depreciation and amortization	**208.8**	194.2	194.9
Deferred income taxes	**43.5**	42.0	(29.3)
Changes in current assets and liabilities, net of effects from businesses acquired	**(125.6)**	(93.3)	54.5
Unusual items	**–**	51.6	166.4
Other, net	**(50.6)**	(38.9)	(33.0)
Cash provided by continuing operations	**690.5**	690.1	775.3
Cash used by discontinued operations	**(2.8)**	(3.9)	(5.8)
Net Cash Provided by Operating Activities	**687.7**	686.2	769.5
Cash Flows – Investment Activities:			
Purchases of land, buildings and equipment	**(267.7)**	(280.9)	(183.6)
Investments in businesses, intangibles and affiliates, net of investment returns and dividends	**(294.7)**	(151.5)	(9.5)
Purchases of marketable securities	**(17.5)**	(11.5)	(10.6)
Proceeds from sale of marketable securities	**11.7**	19.2	40.3
Proceeds from disposal of land, buildings and equipment	**5.5**	11.8	2.1
Other, net	**(1.0)**	38.0	(42.0)
Net Cash Used by Investment Activities	**(563.7)**	(374.9)	(203.3)
Cash Flows – Financing Activities:			
Change in notes payable	**565.9**	260.0	63.9
Issuance of long-term debt	**500.8**	208.6	286.6
Payment of long-term debt	**(110.6)**	(194.8)	(151.6)
Common stock issued	**110.1**	92.8	92.5
Purchases of common stock for treasury	**(819.7)**	(340.7)	(524.9)
Dividends paid	**(329.2)**	(331.4)	(336.3)
Other, net	**(19.6)**	(8.3)	(2.8)
Net Cash Used by Financing Activities	**(102.3)**	(313.8)	(572.6)
Increase (Decrease) in Cash and Cash Equivalents	**21.7**	(2.5)	(6.4)
Cash and Cash Equivalents – Beginning of Year	**3.9**	6.4	12.8
Cash and Cash Equivalents – End of Year	**$ 25.6**	$ 3.9	$ 6.4
Cash Flow from Changes in Current Assets and Liabilities:			
Receivables	**$ 11.2**	$ (82.7)	$ 23.7
Inventories	**(51.4)**	(28.7)	(26.4)
Prepaid expenses and other current assets	**(4.9)**	9.2	1.6
Accounts payable	**(49.4)**	44.7	4.0
Other current liabilities	**(31.1)**	(35.8)	51.6
Changes in Current Assets and Liabilities	**$(125.6)**	$ (93.3)	$ 54.5

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

	$.10 Par Value Common Stock (One Billion Shares Authorized)							
	Issued		Treasury					
In Millions, Except per Share Data	Shares	Amount	Shares	Amount	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income	Total
Balance at May 25, 1997	408.3	$578.0	(88.6)	$(1,501.9)	$1,535.4	$(80.0)	$(36.9)	$ 494.6
Comprehensive Income:								
Net earnings					421.8			421.8
Other comprehensive income, net of tax:								
Unrealized gains on securities							8.2	8.2
Foreign currency translation							(9.5)	(9.5)
Minimum pension liability adjustment							(2.9)	(2.9)
Other comprehensive income							(4.2)	(4.2)
Total comprehensive income								417.6
Cash dividends declared ($1.06 per share), net of income taxes of $1.9					(334.4)			(334.4)
Stock compensation plans (includes income tax benefits of $39.2)	–	29.3	4.8	83.9				113.2
Shares purchased			(15.0)	(518.7)				(518.7)
Put and call option premiums/ settlements, net	–	12.3	–	1.0				13.3
Unearned compensation related to restricted stock awards						(7.3)		(7.3)
Earned compensation and other						11.9		11.9
Balance at May 31, 1998	408.3	$619.6	(98.8)	$(1,935.7)	$1,622.8	$(75.4)	$(41.1)	$ 190.2
Comprehensive Income:								
Net earnings					534.5			534.5
Other comprehensive income, net of tax:								
Unrealized losses on securities							(3.2)	(3.2)
Foreign currency translation							(11.0)	(11.0)
Minimum pension liability adjustment							(1.6)	(1.6)
Other comprehensive income							(15.8)	(15.8)
Total comprehensive income								518.7
Cash dividends declared ($1.08 per share), net of income taxes of $1.5					(329.9)			(329.9)
Stock compensation plans (includes income tax benefits of $33.6)	–	29.8	4.0	77.3				107.1
Shares purchased			(9.5)	(340.7)				(340.7)
Put and call option premiums/ settlements, net	–	8.5	–	3.8				12.3
Unearned compensation related to restricted stock awards						(9.6)		(9.6)
Earned compensation and other						16.1		16.1
Balance at May 30, 1999	408.3	$657.9	(104.3)	$(2,195.3)	$1,827.4	$(68.9)	$(56.9)	$ 164.2
Comprehensive income:								
Net earnings					614.4			614.4
Other comprehensive income, net of tax:								
Unrealized losses on securities							(7.8)	(7.8)
Foreign currency translation							(21.7)	(21.7)
Minimum pension liability adjustment							.7	.7
Other comprehensive income							(28.8)	(28.8)
Total comprehensive income								585.6
Cash dividends declared ($1.10 per share), net of income taxes of $1.3					(327.9)			(327.9)
Stock compensation plans (includes income tax benefits of $38.7)	–	24.6	4.6	101.6				126.2
Shares purchased			(23.2)	(847.8)				(847.8)
Put and call option premiums/ settlements, net	–	(1.9)	–	6.6				4.7
Unearned compensation related to restricted stock awards						(13.2)		(13.2)
Earned compensation and other						19.4		19.4
Balance at May 28, 2000	**408.3**	**$680.6**	**(122.9)**	**$(2,934.9)**	**$2,113.9**	**$(62.7)**	**$(85.7)**	**$(288.8)**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The preparation of the Consolidated Financial Statements in conformity with accounting principles that are generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts of assets, liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain prior years' amounts have been reclassified to conform with the current year presentation.

(A) Principles of Consolidation – The consolidated financial statements include the following domestic and foreign operations: parent company and 100 percent owned subsidiaries, and General Mills' investment in and share of net earnings or losses of 20–50 percent owned companies, which are recorded on an equity basis.

Our fiscal year ends on the last Sunday in May. Years 2000 and 1999 each consisted of 52 weeks and 1998 consisted of 53 weeks.

(B) Land, Buildings, Equipment and Depreciation – Buildings and equipment are depreciated over estimated useful lives, primarily using the straight-line method. Buildings are usually depreciated over 40 to 50 years and equipment over three to 15 years. The charges for 2000, 1999 and 1998 were $182.6 million, $171.6 million and $171.5 million, respectively. Accelerated depreciation methods generally are used for income tax purposes. When an item is sold or retired, the accounts are relieved of its cost and related accumulated depreciation; the resulting gains and losses, if any, are recognized.

(C) Inventories – Inventories are valued at the lower of cost or market. Certain domestic inventories are valued using the LIFO method, while other inventories are generally valued using the FIFO method.

(D) Intangible Assets – Goodwill represents the difference between the purchase prices of acquired companies and the related fair values of net assets acquired and accounted for by the purchase method of accounting. Goodwill is amortized on a straight-line basis over 40 years or less. Intangible assets include an amount that offsets a minimum liability recorded for a pension plan with assets less than accumulated benefits. The costs of patents, copyrights and other intangible assets are amortized evenly over their estimated useful lives.

(E) Recoverability of Long-lived Assets – We review long-lived assets, including identifiable intangibles and goodwill, for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is deemed impaired and written down to its fair value if estimated related future cash flows are less than its carrying amount.

(F) Foreign Currency Translation – For most foreign operations, local currencies are considered the functional currency. Assets and liabilities are translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the period. Translation effects are classified within Accumulated Other Comprehensive Income in Stockholders' Equity.

(G) Financial Instruments – See Note Eight for a description of our accounting policies related to financial instruments.

(H) Revenue Recognition – We recognize sales upon shipment to our customers.

(I) Research and Development – All expenditures for research and development are charged against earnings in the year incurred. The charges for 2000, 1999 and 1998 were $77.1 million, $70.0 million and $66.3 million, respectively.

(J) Advertising Costs – Advertising expense (including production and communication costs) for 2000, 1999 and 1998 was $360.8 million, $348.3 million and $366.1 million, respectively. Prepaid advertising costs (including syndication properties) of $21.4 million and $21.9 million were reported as assets at May 28, 2000 and May 30, 1999, respectively. We expense the production costs of advertising the first time that the advertising takes place.

(K) Stock-based Compensation – We use the intrinsic value method for measuring the cost of compensation paid in Company common stock. This method defines our cost as the excess of the stock's market value at the time of the grant over the amount that the employee is required to pay. Our stock option plans require that the employee's payment (i.e., exercise price) be the market value as of the grant date.

(L) Earnings per Share – Basic EPS is computed by dividing net earnings by the weighted average number of common shares outstanding. Diluted EPS includes the effect of all dilutive potential common shares (primarily related to stock options).

(M) Statements of Cash Flows – For purposes of the statement of cash flows, we consider all investments purchased with an original maturity of three months or less to be cash equivalents.

(N) New Accounting Rules – During 1999, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires all derivatives to be recorded at fair value on the balance sheet and establishes new accounting rules for hedging. It will be effective for us in fiscal 2002, and we are assessing its impact on our consolidated financial statements.

2. Subsequent Event

On July 16, 2000, the Company and Diageo plc (Diageo) entered into a merger agreement, under which the Company expects to acquire Diageo's worldwide Pillsbury operations. The transaction will be accounted for as a purchase. Under the terms of the agreement, the Company will acquire Pillsbury in a stock-for-stock exchange. The consideration to Diageo will include 141 million shares of the Company's common stock and the assumption of $5.14 billion of Pillsbury debt. Up to $642 million of the total transaction value may be repaid to the Company at the first anniversary of the closing, depending on the Company's stock price at that time. The total consideration for the transaction (exclusive of direct acquisition costs) is estimated at approximately $10.5 billion. The transaction has been approved by the boards of directors of both companies, and is subject to regulatory review and approval by both companies' shareholders. The transaction is expected to close late in calendar 2000. The Company's results will include Pillsbury's operations beginning with the closing date.

3. Acquisitions

On Jan. 13, 2000, we acquired Small Planet Foods of Sedro-Woolley, Wash. Small Planet Foods is a leading producer of branded organic food products marketed under the *Cascadian Farm* and *Muir Glen* trademarks. On Aug. 12, 1999, we acquired Gardetto's Bakery, Inc. of Milwaukee, Wis. Gardetto's is a leading national marketer of baked snack mixes and flavored pretzels. On June 30, 1999, we acquired certain grain elevators and related assets from Koch Agriculture Company. The aggregate purchase price of these acquisitions, which were accounted for using the purchase method, was approximately $227 million, subject to adjustments. Goodwill of $153 million associated with these acquisitions is being amortized on a straight-line basis over 40 years. The results of the acquired businesses have been included in the consolidated financial statements since their respective acquisition dates. Our fiscal 2000 financial results would not have been materially different if we had made these acquisitions at the beginning of the fiscal year.

On Feb. 10, 1999, we acquired Farmhouse Foods Company of Union City, Calif., a West Coast marketer of rice and pasta side-dish mixes. On Jan. 15, 1999, we acquired Lloyd's Barbeque Company of St. Paul, Minn., a producer of refrigerated entrées. The aggregate purchase price of these acquisitions, both of which were accounted for using the purchase method, totaled approximately $130 million. Goodwill of $113 million associated with these acquisitions is being amortized on a straight-line basis over 40 years. The results of the acquired businesses have been included in the consolidated financial statements since their respective acquisition dates.

4. Unusual Items

In 1999, we recorded restructuring charges of $51.6 million pretax, $32.3 million after tax ($.10 per diluted share), primarily related to streamlining manufacturing and distribution activities. These supply chain actions included consolidating manufacturing of certain products into fewer locations, and consolidating warehouse, distribution and sales activities across our packaged food, foodservice and milling operations. In addition, the 1999 charge included our share of restructuring costs for the Snack Ventures Europe (SVE) joint venture with PepsiCo to improve its manufacturing cost structure. Slightly more than half of the total charge reflected write-down of assets; the remaining cash portion was primarily related to severance and asset redeployment expenses. These restructuring activities were substantially completed at the end of fiscal 2000. At May 28, 2000, there was a remaining reserve of $7.2 million.

In 1998, we recorded a net charge of $166.4 million pretax, $100.2 million after tax ($.31 per diluted share). The charge was primarily related to shutting down one cereal system at our Lodi, Calif., facility and closing our two smallest cereal plants based in Chicago, Ill., and Etobicoke, Ontario. In addition, our SVE joint venture recorded restructuring charges primarily related to production consolidation. We also recorded charges associated with restructuring our sales regions and our trade and promotion organization. These charges were partially offset by an insurance settlement from one of our carriers related to costs incurred in fiscal 1995 and 1996 (charged against fiscal 1994) from the improper use of a pesticide by an independent contractor in treating some of the Company's oat supplies. The net charge included approximately $147 million in non-cash items primarily related to asset write-offs and approximately $19 million of net cash outflows, primarily related to disposal of assets, severance costs and the receipt of the insurance settlement. These restructuring activities were substantially completed in fiscal 1999 and there has been no adjustment to the original reserve. At May 28, 2000, there was a remaining reserve of $3.2 million.

5. Investments in Joint Ventures

We have a 50 percent equity interest in Cereal Partners Worldwide (CPW), our joint venture with Nestlé that manufactures and markets ready-to-eat cereals outside North America. We have a 40.5 percent equity interest in Snack Ventures Europe, our joint venture with PepsiCo that manufactures and markets snack foods in continental Europe. In late fiscal 1999, decisions were made to end the International Dessert Partners (IDP) joint venture with Bestfoods for baking mixes and desserts in Latin America, and the snack joint venture in China with Want Want Holdings Ltd., called Tong Want, which had not yet begun operating. These decisions did not have a material impact on our financial position, results of operations or cash flows.

The joint ventures are reflected in our financial statements on an equity accounting basis. We record our share of the earnings or losses of these joint ventures. (The table that follows in this note reflects the joint ventures on a 100 percent basis.) We also receive royalty income from these joint ventures, incur various expenses (primarily research and development) and record the tax impact of certain of the joint venture operations that are structured as partnerships. Including all these factors, and excluding the impact of fiscal 1999 and 1998 SVE restructuring charges, which are included in unusual items, earnings (losses) from joint ventures were $3.3 million, $(8.2) million and $(2.9) million in 2000, 1999 and 1998, respectively.

Our cumulative investment in these joint ventures (including our share of earnings and losses) was $197.8 million, $189.4 million and $214.3 million at the end of 2000, 1999 and 1998, respectively. We made aggregate investments in the joint ventures of $29.5 million (net of a $5.6 million loan repayment), $18.3 million and $6.8 million (net of a $20.9 million loan repayment) in 2000, 1999 and 1998, respectively. We received aggregate dividends from the joint ventures of $5.1 million, $1.6 million and $.9 million in 2000, 1999 and 1998, respectively.

Summary combined financial information for the joint ventures on a 100 percent basis follows. Since we record our share of CPW results on a two-month lag, CPW information is included as of and for the 12 months ended March 31. The SVE information is consistent with our May year-end. IDP results are as of and for the 12 months ended March 31 for the years 1998 and 1999, and IDP activity for fiscal 2000 is included for the period of time until the joint venture ceased operation in September 1999.

Combined Financial Information – Joint Ventures – 100% Basis

In Millions, Fiscal Year	2000	1999	1998
Sales	$1,823.9	$1,833.5	$1,732.5
Gross Profit	1,012.5	981.8	907.7
Earnings (losses) before Taxes	(4.1)	(13.2)	20.1
Earnings (losses) after Taxes	(21.7)	(35.0)	(6.3)

In Millions	May 28, 2000	May 30, 1999
Current Assets	$494.3	$473.8
Non-current Assets	682.2	738.1
Current Liabilities	723.7	703.6
Non-current Liabilities	4.6	36.2

Our proportionate share of the sales of the joint ventures was $824.6 million, $826.3 million and $780.7 million for 2000, 1999 and 1998, respectively.

6. Balance Sheet Information

The components of certain balance sheet accounts are as follows:

In Millions	May 28, 2000	May 30, 1999
Land, Buildings and Equipment:		
Land	$ 23.2	$ 16.0
Buildings	620.8	542.3
Equipment	2,117.8	1,912.5
Construction in progress	187.4	248.1
Total land, buildings and equipment	2,949.2	2,718.9
Less accumulated depreciation	(1,544.3)	(1,424.2)
Net land, buildings and equipment	$1,404.9	$1,294.7
Other Assets:		
Prepaid pension	$ 593.7	$ 528.1
Marketable securities, at market	148.1	152.4
Investments in and advances to affiliates	195.7	180.8
Net intangible assets, primarily goodwill	870.3	722.0
Miscellaneous	170.7	160.2
Total other assets	$1,978.5	$1,743.5

Accumulated amortization included in net intangible assets was $111.3 million and $85.1 million at May 28, 2000, and May 30, 1999, respectively.

As of May 28, 2000, a comparison of cost and market values of our marketable securities (which are debt and equity securities) was as follows:

In Millions	Cost	Market Value	Gross Gain	Gross Loss
Held to maturity:				
Debt securities	$ 3.4	$ 3.4	$ –	$ –
Equity securities	1.6	1.6	–	–
Total	$ 5.0	$ 5.0	$ –	$ –
Available for sale:				
Debt securities	$104.3	$139.2	$35.1	$(.2)
Equity securities	3.1	3.9	.8	–
Total	$107.4	$143.1	$35.9	$(.2)

Realized gains from sales of marketable securities were $2.5 million, $.9 million and $.1 million in 2000, 1999 and 1998, respectively. In addition, realized losses from purchases of our related debt (see Note Ten) were $2.2 million and $.8 million in 2000 and 1999, respectively. The aggregate unrealized gains and losses on available-for-sale securities, net of tax effects, are classified in Accumulated Other Comprehensive Income within Stockholders' Equity.

Scheduled maturities of our marketable securities are as follows:

	Held to Maturity		Available for Sale	
In Millions	Cost	Market Value	Cost	Market Value
Under one year (current)	$ –	$ –	$ .1	$ .1
From 1 to 3 years	–	–	.4	.4
From 4 to 7 years	–	–	37.6	45.5
Over 7 years	3.4	3.4	66.2	93.2
Equity Securities	1.6	1.6	3.1	3.9
Totals	$5.0	$5.0	$107.4	$143.1

7. Inventories

The components of inventories are as follows:

In Millions	May 28, 2000	May 30, 1999
Raw materials, work in process and supplies	$119.1	$100.8
Finished goods	322.3	286.2
Grain	101.5	73.7
Reserve for LIFO valuation method	(32.4)	(34.0)
Total inventories	$510.5	$426.7

At May 28, 2000 and May 30, 1999, respectively, inventories of $298.7 million and $254.5 million were valued at LIFO. The impact of LIFO accounting had negligible impact on 2000 earnings and increased 1999 and 1998 earnings by $.01 and $.02 per diluted share, respectively.

8. Financial Instruments and Risk Management

Most of our financial instruments are recorded on the balance sheet. A few (known as "derivatives") are off-balance-sheet items. Derivatives are financial instruments whose value is derived from one or more underlying financial instruments. Examples of such underlying instruments are currencies, equities, commodities and interest rates. The carrying amount and fair value (based on current market quotes and interest rates) of our financial instruments at the balance-sheet dates are as follows:

	May 28, 2000		May 30, 1999	
In Millions	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 25.6	$ 25.6	$ 3.9	$ 3.9
Receivables	500.6	500.6	490.6	490.6
Marketable securities	148.1	148.1	152.4	152.4
Liabilities:				
Accounts payable	641.5	641.5	647.4	647.4
Debt	3,259.6	3,309.3	2,317.3	2,406.6
Derivatives relating to:				
Marketable securities	–	–	–	–
Debt	–	30.8	–	26.6
Commodities	–	.3	–	(3.2)
Foreign currencies	–	.2	–	(.4)

Each derivative transaction we enter into is designated at inception as a hedge of risks associated with specific assets, liabilities or future commitments and is monitored to determine if it remains an effective hedge. The effectiveness of the derivative as a hedge is based on changes in its market value or cash flows being highly correlated with changes in market value or cash flows of the underlying hedged item. We do not enter into or hold derivatives for trading or speculative purposes.

We use derivative instruments to reduce financial risk in three areas: interest rates, foreign currency and commodities. The notional amounts of derivatives do not represent actual amounts exchanged by the parties and, thus, are not a measure of the exposure of the Company through its use of derivatives. We enter into interest rate swap, foreign exchange, and commodity swap agreements with a diversified group of highly rated counterparties. Commodity futures transactions are entered into through various regulated exchanges. These transactions expose the Company to credit risk to the extent that the instruments have a positive fair value, but we have not experienced any material losses nor do we anticipate any losses. The Company does not have a significant concentration of risk with any single party or group of parties in any of its financial instruments.

(1) Interest Rate Risk Management – We use interest rate swaps to hedge and/or lower financing costs, to adjust our floating- and fixed-rate debt positions, and to lock in a positive interest rate spread between certain assets and liabilities. An interest rate swap used in conjunction with a debt financing may allow the Company to create fixed- or floating-rate financing at a lower cost than with stand-alone financing. Generally, under interest rate swaps, the Company agrees with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount.

The following table indicates the types of swaps used to hedge various assets and liabilities, and their weighted average interest rates. Average variable rates are based on rates as of the end of the reporting period. The swap contracts mature during time periods ranging from 2001 to 2023.

	May 28, 2000		May 30, 1999	
Dollars in Millions	Asset	Liability	Asset	Liability
Pay floating swaps – notional amount	–	$184.9	–	$70.0
Average receive rate	–	6.8%	–	6.1%
Average pay rate	–	6.8%	–	4.8%
Pay fixed swaps – notional amount	–	$316.5	–	$216.5
Average receive rate	–	6.7%	–	4.9%
Average pay rate	–	5.7%	–	5.2%
Basis swaps –	–	$ 49.0	–	–
Average receive rate	–	6.6%	–	–
Average pay rate	–	6.7%	–	–

The interest rate differential on interest rate swaps used to hedge existing assets and liabilities is recognized as an adjustment of interest expense or income over the term of the agreement.

The Company uses interest rate options and cap agreements primarily to reduce the impact of interest rate changes on its floating-rate debt, as well as to hedge the value of call options contained in long-term debt issued by the Company in earlier periods. In return for an upfront payment, an interest rate swap option grants the purchaser the right to receive (pay) the fixed-rate interest amount in an interest rate swap. In return for an upfront payment, a cap agreement entitles the purchaser to receive the amount, if any, by which an agreed upon floating-rate index exceeds the cap interest rate. At May 28, 2000, we had no interest rate options outstanding.

(2) Foreign Currency Exposure – We are exposed to potential losses from foreign currency fluctuations affecting net investments and earnings denominated in foreign currencies. We selectively hedge the potential effect of these foreign currency fluctuations related to operating activities and net investments in foreign operations by entering into foreign exchange contracts with highly rated financial institutions. Realized and unrealized gains and losses on hedges of firm commitments are included in the cost basis of the asset being hedged and are recognized as the asset is expensed through cost of goods sold or depreciation. Realized and unrealized gains and losses on contracts that hedge other operating activities are recognized currently in net earnings. Realized and unrealized gains and losses on contracts that hedge net investments are recognized in Accumulated Other Comprehensive Income in Stockholders' Equity.

The components of our net balance sheet exposure by geographic region are as follows:

In Millions	**May 28, 2000**	May 30, 1999
Europe	**$153.3**	$130.9
North/South America	**27.0**	28.5
Asia	**10.6**	1.0
Total exposure	**$190.9**	$160.4

At May 28, 2000, we had forward and option contracts maturing in 2001 to sell $81.5 million of foreign currencies. The fair value of these contracts is based on market quotes and was immaterial at May 28, 2000.

(3) Commodities – The Company uses an integrated set of financial instruments in its commodity purchasing cycle, including purchase orders, noncancelable contracts, futures contracts, futures options and swaps. Except as described below, these instruments are all used to manage purchase prices and inventory values as practical for the Company's production needs. To the extent possible, the Company hedges the risk associated with adverse price movements using exchange-traded futures and options, forward cash contracts and over-the-counter hedging mechanisms. Unrealized gains and losses are recorded monthly and deferred until the production flows through cost of goods sold. The net gains and losses deferred and expensed are immaterial. At May 28, 2000 and May 30, 1999, the aggregate fair value of our ingredient and energy derivatives position was $137.4 million and $153.0 million, respectively.

The Company also has a grain-merchandising operation, which uses cash contracts, futures contracts and futures options. All futures contracts and futures options are exchange-based instruments with ready liquidity and determinable market values. Neither results of operations nor the year-end positions from our grain merchandising operation was material to the Company's overall results.

9. Notes Payable

The components of notes payable and their respective weighted average interest rates at the end of the periods are as follows:

	May 28, 2000		May 30, 1999	
Dollars in Millions	**Notes Payable**	**Weighted Average Interest Rate**	Notes Payable	Weighted Average Interest Rate
U.S. commercial paper	**$1,043.2**	**6.3%**	$ 652.9	4.9%
Canadian commercial paper	**23.4**	**5.5**	22.8	4.6
Euro commercial paper	**43.0**	**4.2**	158.9	4.0
Financial institutions	**456.2**	**6.3**	169.8	4.8
Amounts reclassified to long-term debt	**(480.0)**	**–**	(480.0)	–
Total notes payable	**$1,085.8**		$ 524.4	

See Note Eight for a description of related interest rate derivative instruments.

To ensure availability of funds, we maintain bank credit lines sufficient to cover our outstanding short-term borrowings. As of May 28, 2000, we had $1,500 million fee-paid lines and $63.5 million uncommitted, no-fee lines available in the U.S. and Canada.

We have a revolving credit agreement expiring in January 2002 covering the fee-paid credit lines that provides us with the ability to refinance short-term borrowings on a long-term basis; accordingly, a portion of our notes payable has been reclassified to long-term debt.

10. Long-term Debt

In Millions	May 28, 2000	May 30, 1999
Medium-term notes, 4.8% to 9.1%, due 2000 to 2078	**$1,395.8**	$1,005.6
7.0% notes due September 15, 2004	**158.9**	160.9
Zero coupon notes, yield 11.1%, $263.0 due August 15, 2013	**63.5**	59.4
Zero coupon notes, yield 11.7%, $54.9 due August 15, 2004	**34.1**	35.1
8.2% ESOP loan guaranty, due through June 30, 2007	**39.8**	49.0
Notes payable, reclassified (Note 9)	**480.0**	480.0
Other	**1.7**	2.9
	2,173.8	1,792.9
Less amounts due within one year	**(413.5)**	(90.5)
Total long-term debt	**$1,760.3**	$1,702.4

See Note Eight for a description of related interest rate derivative instruments.

As of May 28, 2000, our debt shelf registration permits the issuance of up to $284.0 million net proceeds in unsecured debt securities to reduce short-term debt and for other general corporate purposes, and includes a medium-term note program that allows us to issue debt quickly for selected amounts, rates and maturities.

In 2000, we issued $498.0 million of debt under our medium-term note program with maturities varying from one to six years and interest rates from 6.7% to 7.1%. In 1999, $199.7 million of debt was issued under this program with maturities from five to 80 years and interest rates from 4.7% to 6.3%.

The Company has guaranteed the debt of the Employee Stock Ownership Plan; therefore, the loan is reflected on our consolidated balance sheets as long-term debt with a related offset in Unearned Compensation in Stockholders' Equity.

The sinking fund and principal payments due on long-term debt are (in millions) $413.5, $174.4, $96.6, $81.2 and $214.1 in 2001, 2002, 2003, 2004 and 2005, respectively. The 2005 amount is exclusive of $20.8 million of interest yet to be accreted on the zero coupon notes. The notes payable that are reclassified under our revolving credit agreement are not included in these principal payments.

Our marketable securities (see Note Six) include zero coupon U.S. Treasury securities. These investments are intended to provide the funds for the payment of principal and interest for the zero coupon notes due Aug. 15, 2004 and Aug. 15, 2013.

11. Stockholders' Equity

Cumulative preference stock of 5.0 million shares, without par value, is authorized but unissued.

On Sept. 27, 1999, the Board of Directors declared a two-for-one stock split effected in the form of a 100 percent stock dividend whereby each shareholder received one additional share of General Mills common stock on Nov. 8, 1999, for each share owned at the close of business on Oct. 8, 1999. Information throughout these financial statements is restated for the stock split, to present all data on a consistent and comparable basis.

We have a shareholder rights plan that entitles each outstanding share of common stock to one right. Each right entitles the holder to purchase one two-hundredths of a share of cumulative preference stock (or, in certain circumstances, common stock or other securities), exercisable upon the occurrence of certain events. The rights are not transferable apart from the common stock until a person or group has acquired 20 percent or more, or makes a tender offer for 20 percent or more, of the common stock, in which case each right will entitle the holder (other than the acquirer) to receive, upon exercise, common stock of either the Company or the acquiring company having a market value equal to two times the exercise price of the right. The initial exercise price is $120 per right. The rights are redeemable by the Board at any time prior to the acquisition of 20 percent or more of the outstanding common stock. The shareholder rights plan has been specifically amended so that the transaction described in Note Two will not trigger the exercisability of the rights. The rights expire on Feb. 1, 2006. At May 28, 2000, there were 285.4 million rights issued and outstanding.

The Board of Directors has authorized the repurchase, from time to time, of common stock for our treasury, provided that the number of shares held in treasury shall not exceed 170.0 million.

Through private transactions in fiscal 2000 and 1999 that are a part of our stock repurchase program, we issued put options and purchased call options related to our common stock. In 2000 and 1999, we issued put options for 22.8 million and 17.0 million shares for $38.0 million and $25.8 million in premiums paid to the Company, respectively. As of May 28, 2000, put options for 19.1 million shares remained outstanding at exercise prices ranging from $29.00 to $40.88 per share with exercise dates from June 2, 2000 to Oct. 19, 2001. In 2000 and 1999, we purchased call options for 7.6 million and 4.1 million shares for $27.3 million and $11.5 million in premiums paid by the Company, respectively. As of May 28, 2000, call options for 8.1 million shares remained outstanding at exercise prices ranging from $31.19 to $40.00 per share with exercise dates from May 31, 2000 to July 31, 2001.

The following table provides detail of activity within Accumulated Other Comprehensive Income in Stockholders' Equity:

In Millions	Foreign Currency Items	Unrealized Gain on Securities	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income
Balance at May 25, 1997	$ (58.9)	$24.7	$ (2.7)	$(36.9)
Pre-tax change	(9.5)	13.4	(4.8)	(.9)
Tax (expense) benefit	–	(5.2)	1.9	(3.3)
Balance at May 31, 1998	(68.4)	32.9	(5.6)	(41.1)
Pre-tax change	(12.2)	(5.3)	(2.6)	(20.1)
Tax benefit	1.2	2.1	1.0	4.3
Balance at May 30, 1999	(79.4)	29.7	(7.2)	(56.9)
Pre-tax change	(25.2)	(12.5)	1.1	(36.6)
Tax (expense) benefit	3.5	4.7	(.4)	7.8
Balance at May 28, 2000	**$(101.1)**	**$21.9**	**$(6.5)**	**$(85.7)**

12. Stock Plans

A total of 14,459,734 shares are available for grants under our 1995 salary replacement, 1996 director and 1998 senior management stock plans through Sept. 30, 2000, Sept. 30, 2001, and Oct. 1, 2003, respectively. An additional 14,449,324 shares are available for grants under the 1998 employee plan, which has no specified duration. Under the 1998 senior management and employee plans, shares available for grant are reduced by shares issued, net of shares surrendered to the Company in stock-for-stock exercises. Options may be priced only at 100 percent of the fair market value on the date of grant. Options now outstanding include some granted under the 1988, 1990 and 1993 option plans, under which no further rights may be granted. All options expire within 10 years and one month after the date of grant. The stock plans provide for full vesting of options upon completion of specified service periods, or in the event there is a change of control.

Stock subject to a restricted period and a purchase price, if any (as determined by the Compensation Committee of the Board of Directors), may be granted to key employees under the 1998 employee plan and, up to 25 percent of the value of cash incentive awards, through the Executive Incentive Plan. Most restricted stock awards require the employee to deposit personally owned shares (on a one-for-one basis) with the Company during the restricted period. The 1996 plan allows each non-employee director to annually elect to receive either 1,000 shares of stock restricted for one year or 1,000 restricted stock units convertible to common stock at a date of the director's choosing following his or her one-year term. The 1990 plan also allowed grants of restricted stock to directors. In 2000, 1999 and 1998, grants of 330,229, 301,944 and 256,932 shares of restricted stock or units were made with weighted average values at grant of $38.49, $33.53 and $32.80 per share, respectively. On May 28, 2000, a total of 920,975 restricted shares and units were outstanding under all plans.

The 1988 plan permitted the granting of performance units corresponding to stock options granted. The value of performance units was determined by return on equity and growth in earnings per share measured against preset goals over three-year performance periods. For seven years after a performance period, holders may elect to receive the value of performance units (with interest) as an alternative to exercising corresponding stock options. On May 28, 2000, there were 548,968 options outstanding with corresponding performance unit accounts. The value of these options exceeded the value of the performance unit accounts.

The following table contains information on stock option activity:

	Options Exercisable	Weighted Average Exercise Price per Share	Options Outstanding	Weighted Average Exercise Price per Share
Balance at May 25, 1997	23,899,200	$21.27	49,601,310	$23.95
Granted			6,371,566	36.55
Exercised			(5,460,622)	15.96
Expired			(473,048)	26.25
Balance at May 31, 1998	24,088,340	23.82	50,039,206	26.41
Granted			8,152,008	34.64
Exercised			(4,373,240)	19.82
Expired			(742,130)	29.45
Balance at May 30, 1999	24,232,068	25.05	53,075,844	28.17
Granted			11,444,741	37.49
Exercised			(5,678,830)	21.82
Expired			(551,905)	33.42
Balance at May 28, 2000	**25,412,023**	**$26.40**	**58,289,850**	**$30.57**

The following table provides information regarding options exercisable and outstanding as of May 28, 2000:

Range of Exercise Price per Share	Options Exercisable	Weighted Average Exercise Price per Share	Options Outstanding	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (years)
Under $20	886,052	$17.60	886,052	$17.60	.34
$20–$25	8,112,888	22.92	8,120,644	22.92	3.46
$25–$30	12,115,299	26.70	19,110,675	26.63	4.11
$30–$35	3,361,733	31.90	16,885,182	32.84	8.16
$35-$40	54,307	35.97	8,287,395	37.39	8.15
Over $40	881,744	41.49	4,999,902	41.38	9.25
	25,412,023	$26.40	58,289,850	$30.57	6.15

Stock-based compensation expense related to restricted stock for 2000, 1999 and 1998 was $9.1 million, $7.0 million and $6.0 million, respectively, using the "intrinsic value-based method" of accounting for stock-based compensation plans. Effective with 1997, we adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 allows either a fair value-based method or an intrinsic value-based method of accounting for such compensation plans. Had compensation expense for our stock option plan grants been determined using the fair value-based method, net earnings, basic earnings per share and diluted earnings per share would have been approximately $575.1 million, $1.92 and $1.89, respectively, for 2000; $513.1 million, $1.67 and $1.64 respectively, for 1999; and $406.1 million, $1.28 and $1.26, respectively, for 1998. These pro forma amounts are not likely to be representative of the pro forma effects of stock-options in future years since the amounts exclude the pro forma cost for options granted before fiscal 1996. The weighted average fair values at grant date of the options granted in 2000, 1999 and 1998 were estimated as $8.89, $6.28 and $8.29, respectively, using the Black-Scholes option-pricing model with the following weighted average assumptions:

Fiscal Year	2000	1999	1998
Risk-free interest rate	**6.3%**	5.2%	6.1%
Expected life	**7 years**	7 years	7 years
Expected volatility	**18%**	18%	18%
Expected dividend growth rate	**8%**	8%	8%

The Black-Scholes model requires the input of highly subjective assumptions and may not necessarily provide a reliable measure of fair value.

13. Earnings Per Share

Basic and diluted earnings per share (EPS) were calculated using the following:

In Millions, Fiscal Year	2000	1999	1998
Net Earnings	**$614.4**	$534.5	$421.8
Average number of common shares – basic EPS	**299.1**	306.5	316.3
Incremental share effect from:			
Stock options	**7.7**	8.1	8.2
Restricted stock, stock rights and puts	**.5**	.1	.1
Average number of common shares – diluted EPS	**307.3**	314.7	324.6

The diluted EPS calculation does not include 8.9 million, 2.8 million, and 2.2 million average anti-dilutive stock options, nor does it include 7.7 million, 4.1 million and 4.7 million average anti-dilutive put options in 2000, 1999 and 1998 respectively.

14. Interest Expense

The components of net interest expense are as follows:

In Millions, Fiscal Year	2000	1999	1998
Interest expense	**$168.3**	$133.6	$130.3
Capitalized interest	**(2.3)**	(2.7)	(.7)
Interest income	**(14.1)**	(11.5)	(12.4)
Interest, net	**$151.9**	$119.4	$117.2

During 2000, 1999 and 1998, we paid interest (net of amount capitalized) of $167.3 million, $130.1 million and $117.2 million, respectively.

15. Retirement and Other Postretirement Benefit Plans

We have defined-benefit retirement plans covering most employees. Benefits for salaried employees are based on length of service and final average compensation. The hourly plans include various monthly amounts for each year of credited service. Our funding policy is consistent with the requirements of federal law. Our principal retirement plan covering salaried employees has a provision that any excess pension assets would vest in plan participants if the plan is terminated within five years of a change in control.

We sponsor plans that provide health care benefits to the majority of our retirees. The salaried health care benefit plan is contributory, with retiree contributions based on years of service. We fund related trusts for certain employees and retirees on an annual basis.

Trust assets related to the above plans consist principally of listed equity securities, corporate obligations and U.S. government securities.

Reconciliation of the funded status of the plans and the amounts included in the balance sheet is as follows:

	Pension Plans		Postretirement Benefit Plans	
In Millions	2000	1999	2000	1999
Fair Value of Plan Assets				
Beginning fair value	**$1,417.1**	$1,384.6	**$218.6**	$194.7
Actual return on assets	**223.7**	89.1	**22.7**	26.3
Company contributions	**2.1**	4.3	**.3**	9.5
Plan participant contributions	**–**	–	**2.5**	2.1
Benefits paid from plan assets	**(64.5)**	(60.9)	**(14.1)**	(14.0)
Ending Fair Value	**$1,578.4**	$1,417.1	**$230.0**	$218.6
Projected Benefit Obligation				
Beginning obligations	**$ 956.3**	$ 951.5	**$231.5**	$221.6
Service cost	**20.0**	19.4	**6.4**	6.4
Interest cost	**69.5**	64.6	**17.3**	16.0
Plan amendment	**1.8**	–	**(2.5)**	–
Plan participant contributions	**–**	–	**2.5**	2.2
Actuarial loss (gain)	**(25.6)**	(18.3)	**(10.3)**	(.2)
Actual benefits paid	**(64.5)**	(60.9)	**(14.1)**	(14.5)
Ending Obligations	**$ 957.5**	$ 956.3	**$230.8**	$231.5
Funded Status of Plans	**$ 620.9**	$ 460.8	**$ (.8)**	$ (12.9)
Unrecognized actuarial loss (gain)	**(55.7)**	53.0	**(7.3)**	6.3
Unrecognized prior service costs (credits)	**41.0**	45.1	**(7.0)**	(7.0)
Unrecognized transition (asset) obligations	**(33.1)**	(47.5)	**–**	–
Net Amount Recognized	**$ 573.1**	$ 511.4	**$ (15.1)**	$ (13.6)
Amounts Recognized on Balance Sheet				
Prepaid asset	**$ 593.7**	$ 528.1	**$ 67.4**	$ 58.7
Accrued liability	**(32.8)**	(31.3)	**(82.5)**	(72.3)
Intangible asset	**1.6**	2.9		
Minimum liability adjustment in equity	**10.6**	11.7		
Net	**$ 573.1**	$ 511.4	**$ (15.1)**	$ (13.6)

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Plans with obligations in excess of plan assets:

	Pension Plans		Postretirement Benefit Plans	
In Millions	**2000**	1999	**2000**	1999
Accumulated benefit obligation	**$32.8**	$31.3	**$133.0**	$125.3
Plan assets at fair value	**–**	–	**30.5**	31.4

Assumptions as of year-end are:

	Pension Plans		Postretirement Benefit Plans	
	2000	1999	**2000**	1999
Discount rate	**8.25%**	7.5%	**8.25%**	7.5%
Rate of return on plan assets	**10.4**	10.4	**10.0**	10.0
Salary increases	**4.4**	4.4	**–**	–
Annual increase in cost of benefits	**–**	–	**7.3**	6.9

The annual increase in cost of postretirement benefits is assumed to decrease gradually in future years, reaching an ultimate rate of 5.2 percent in the year 2005.

Components of net benefit (income) or expense each year are as follows:

	Pension Plans			Postretirement Benefit Plans		
In Millions	**2000**	1999	1998	**2000**	1999	1998
Service cost	**$ 20.0**	$ 19.4	$ 14.7	**$ 6.4**	$ 6.4	$ 4.5
Interest cost	**69.5**	64.6	62.4	**17.3**	16.0	14.4
Expected return on plan assets	**(142.3)**	(127.9)	(114.5)	**(21.9)**	(19.4)	(16.1)
Amortization of transition asset	**(14.4)**	(14.4)	(14.4)	**–**	–	–
Amortization of (gains) losses	**1.5**	4.4	.7	**1.3**	1.5	.2
Amortization of prior service costs (credits)	**5.9**	4.9	5.0	**(2.5)**	(2.2)	(2.3)
Settlement or curtailment losses	**–**	–	6.1	**–**	–	4.3
Net (Income) Expense	**$ (59.8)**	$ (49.0)	$ (40.0)	**$ .6**	$ 2.3	$ 5.0

The settlement or curtailment losses were recorded in fiscal 1998 as part of the restructuring charge described in Note Four.

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plans. If the health care cost trend rate increased by 1 percentage point in each future year, the aggregate of the service and interest cost components of postretirement expense would increase for 2000 by $3.5 million and the postretirement accumulated benefit obligation as of May 28, 2000 would increase by $32.4 million. If the health care cost trend rate decreased by 1 percentage point in each future year, the aggregate of the service and interest cost components of postretirement expense would decrease for 2000 by $3.2 million and the postretirement accumulated benefit obligation as of May 28, 2000 would decrease by $25.3 million.

The General Mills Savings Plan is a defined contribution plan that covers our salaried and non-union employees. It had net assets of $1,043.2 million at May 28, 2000, and $1,003.4 million at May 30, 1999. This plan is a 401(k) savings plan that includes several investment funds and an Employee Stock Ownership Plan (ESOP). The ESOP's only assets are Company common stock and temporary cash balances. Company expense recognized in 2000, 1999 and 1998 was $7.5 million, $6.2 million and $4.9 million, respectively. The ESOP's share of this expense was $6.5 million, $5.7 million and $4.5 million, respectively. The ESOP's expense is calculated by the "shares allocated" method.

The ESOP uses Company common stock to convey benefits to employees and, through increased stock ownership, to further align employee interests with those of shareholders. The Company matches a percentage of employee contributions with a base match plus a variable year-end match that depends on annual results. Employees receive the Company match in the form of common stock.

The ESOP originally purchased Company common stock principally with funds borrowed from third parties (and guaranteed by the Company). The ESOP shares are included in net shares outstanding for the purposes of calculating earnings per share. The ESOP's third-party debt is described in Note Ten.

The Company treats cash dividends paid to the ESOP the same as other dividends. Dividends received on leveraged shares (i.e., all shares originally purchased with the debt proceeds) are used for debt service, while dividends received on unleveraged shares are passed through to participants.

The Company's cash contribution to the ESOP is calculated so as to pay off enough debt to release sufficient shares to make the Company match. The ESOP uses the Company's cash contributions to the plan, plus the dividends received on the ESOP's leveraged shares, to make principal and interest payments on the ESOP's debt. As loan payments are made, shares become unencumbered by debt and are committed to be allocated. The ESOP allocates shares to individual employee accounts on the basis of the match of employee payroll savings (contributions), plus reinvested dividends received on previously allocated shares. In 2000, 1999 and 1998, the ESOP incurred interest expense of $3.7 million, $4.5 million and $5.3 million, respectively. The ESOP used dividends of $8.7 million, $8.6 million and $9.4 million, along with Company contributions of $6.4 million, $5.6 million and $4.4 million to make interest and principal payments in the respective years.

The number of shares of Company common stock in the ESOP is summarized as follows:

Number of Shares	May 28, 2000	May 30, 1999
Unreleased shares	**2,381,907**	3,080,394
Committed to be allocated	**3,627**	49,452
Allocated to participants	**5,341,455**	4,929,572
Total shares	**7,726,989**	8,059,418

16. Profit-sharing Plan

The Executive Incentive Plan provides incentives to key individuals who have the greatest potential to contribute to current earnings and successful future operations. These awards are approved by the Compensation Committee of the Board of Directors, which consists solely of independent, outside directors, and these awards are based on performance against pre-established goals approved by the Committee. Profit-sharing expense was $10.5 million, $9.0 million and $6.7 million in 2000, 1999 and 1998, respectively.

17. Income Taxes

The components of earnings before income taxes and earnings (losses) of joint ventures and the income taxes thereon are as follows:

In Millions, Fiscal Year	2000	1999	1998
Earnings before income taxes:			
U.S.	**$918.6**	$825.4	$688.1
Foreign	**28.4**	21.3	(21.5)
Total earnings before income taxes	**$947.0**	$846.7	$666.6
Income taxes:			
Current:			
Federal	**$280.1**	$238.9	$242.8
State and local	**14.1**	21.5	31.0
Foreign	**(1.8)**	1.6	(2.6)
Total current	**292.4**	262.0	271.2
Deferred:			
Federal	**44.2**	32.1	(17.1)
State and local	**(5.4)**	7.3	(3.3)
Foreign	**4.7**	2.6	(8.9)
Total deferred	**43.5**	42.0	(29.3)
Total income taxes	**$335.9**	$304.0	$241.9

During 2000, 1999 and 1998, we paid income taxes of $284.4 million, $248.6 million and $185.6 million, respectively.

In fiscal 1982 and 1983 we purchased certain income-tax items from other companies through tax lease transactions. Total current income taxes charged to earnings reflect the amounts attributable to operations and have not been materially affected by these tax leases. Actual current taxes payable relating to 2000, 1999 and 1998 operations were increased by approximately $22 million, $20 million and $16 million, respectively, due to the current effect of tax leases. These tax payments do not affect taxes for statement of earnings purposes since they repay tax benefits realized in prior years. The repayment liability is classified as Deferred Income Taxes – Tax Leases.

The following table reconciles the U.S. statutory income tax rate with the effective income tax rate:

Fiscal Year	2000	1999	1998
U.S. statutory rate	**35.0%**	35.0%	35.0%
State and local income taxes, net of federal tax benefits	**1.3**	2.2	2.7
Other, net	**(0.8)**	(1.3)	(1.4)
Effective income tax rate	**35.5%**	35.9%	36.3%

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

In Millions	May 28, 2000	May 30, 1999
Accrued liabilities	**$ 61.5**	$ 81.0
Unusual charges	**4.3**	15.2
Compensation and employee benefits	**72.8**	70.6
Disposition liabilities	**7.8**	8.6
Other	**18.2**	13.6
Gross deferred tax assets	**164.6**	189.0
Depreciation	**124.3**	124.1
Prepaid pension asset	**226.6**	206.0
Intangible assets	**2.8**	2.7
Other	**37.1**	42.5
Gross deferred tax liabilities	**390.8**	375.3
Valuation allowance	**5.1**	5.0
Net deferred tax liability	**$231.3**	$191.3

We have not recognized a deferred tax liability for unremitted earnings of $70.0 million from our foreign operations because we do not expect those earnings to become taxable to us in the foreseeable future. A determination of the potential liability is not practicable. If a portion were to be remitted, we believe income tax credits would substantially offset any resulting tax liability.

18. Leases and Other Commitments

An analysis of rent expense by property leased follows:

In Millions, Fiscal Year	2000	1999	1998
Warehouse space	$23.5	$23.0	$20.9
Equipment	8.3	8.4	8.2
Other	7.0	6.2	5.8
Total rent expense	$38.8	$37.6	$34.9

Some leases require payment of property taxes, insurance and maintenance costs in addition to the rent payments. Contingent and escalation rent in excess of minimum rent payments and sublease income netted in rent expense were insignificant.

Noncancelable future lease commitments are (in millions) $30.2 in 2001, $17.7 in 2002, $8.6 in 2003, $5.0 in 2004, $2.8 in 2005 and $.2 after 2005, with a cumulative total of $64.5.

We are contingently liable under guaranties and comfort letters for $70.4 million. The guaranties and comfort letters are principally issued to support borrowing arrangements, primarily for our joint ventures. We remain the guarantor on certain leases and other obligations of Darden Restaurants, Inc. (Darden), an entity we spun off as of May 28, 1995. However, Darden has indemnified us against any related loss.

19. Business Segment and Geographic Information

We operate exclusively in the consumer foods industry, with multiple operating segments organized generally by product categories.

Under our supply chain organization, substantially all manufacturing, warehouse, distribution and sales activities are integrated across our operations in order to maximize efficiency, productivity and deliver significant cost savings. As a result, balance sheet and certain profit and loss information is not maintained nor available by operating segment. Consistent with our organization and the criteria outlined in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," we have aggregated our operating segments into one reportable segment.

The following table provides net sales information for our primary product categories:

In Millions, Fiscal Year	2000	1999	1998
Product Categories:			
U.S.			
Big G Cereals	$2,580.0	$2,474.1	$2,421.0
Betty Crocker Meals	819.4	690.3	622.9
Baking Products	1,016.9	1,038.5	1,049.6
Convenience Foods	1,505.6	1,357.4	1,244.8
Foodservice & Other	464.7	398.0	400.6
International (incl. export)	313.6	287.8	294.1
Total	$6,700.2	$6,246.1	$6,033.0

The following table provides financial information by geographic area:

In Millions, Fiscal Year	2000	1999	1998
Net sales:			
U.S.A.	$6,386.6	$5,958.3	$5,738.9
International (incl. export)	313.6	287.8	294.1
Consolidated Total	$6,700.2	$6,246.1	$6,033.0
Long-lived assets:			
U.S.A.	$1,395.3	$1,292.7	$1,184.6
International	9.6	2.0	1.7
Consolidated Total	$1,404.9	$1,294.7	$1,186.3

The foreign sales reflected above were primarily made by our Canadian subsidiary. Our proportionate share of the joint ventures' sales (not shown above) was $824.6 million, $826.3 million and $780.7 million for 2000, 1999 and 1998, respectively. Please refer to Note Five for information regarding the sales, earnings and assets of our joint ventures.

20. Quarterly Data (unaudited)

Summarized quarterly data for 2000 and 1999 follows:

In Millions, Except per Share and Market Price Amounts	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2000	1999	2000	1999	2000	1999	2000	1999
Sales	$1,573.6	$1,473.1	$1,817.2	$1,677.4	$1,619.6	$1,495.1	$1,689.8	$1,600.5
Gross profit	952.2	889.4	1,089.0	978.4	969.0	876.3	992.4	908.5
Net earnings	158.5	145.0	193.7	143.6[a]	153.3	141.1	108.9	104.8
Net earnings per share – basic	.52	.47	.64	.47	.51	.46	.38	.34
Net earnings per share – diluted	.50	.46	.62	.46	.50	.45	.37	.33
Dividends per share	.275	.265	.275	.265	.275	.275	.275	.275
Market price of common stock:								
High	43.13	36.13	43.94	37.94	38.56	42.34	41.38	40.75
Low	39.31	29.59	37.38	32.03	29.38	36.66	30.31	36.25

(a) Included an after-tax loss of $32.3 million ($.10 per diluted share) in the second quarter of fiscal 1999 for the unusual items described in Note Four.

Eleven-Year Financial Summary

In Millions, Except per Share Data	May 28, 2000	May 30, 1999	May 31, 1998	May 25, 1997	May 26, 1996	May 28, 1995	May 29, 1994	May 30, 1993	May 31, 1992	May 26, 1991	May 27, 1990
Financial Results – Continuing											
Earnings per share – basic	**$ 2.05**	$ 1.74	$ 1.33	$ 1.41	$ 1.50	$ .82	$ 1.07	$ 1.26	$ 1.19	$ 1.13	$ .86
Earnings per share – diluted	**2.00**	1.70	1.30	1.38	1.47	.81	1.05	1.23	1.17	1.11	.85
Dividends per share	**1.10**	1.08	1.06	1.02	.96	.94	.94	.84	.74	.64	.55
Return on average total capital	**24.4%**	23.7%	20.0%	23.3%	28.7%	17.4%	21.7%	27.5%	30.0%	35.6%	33.0%
Sales	**6,700**	6,246	6,033	5,609	5,416	5,027	5,327	5,138	4,964	4,657	4,242
Costs and expenses:											
Cost of sales	**2,697**	2,593	2,538	2,475	2,396	2,285	2,163	2,135	2,082	1,925	1,902
Selling, general and administrative	**2,904**	2,635	2,545	2,275	2,160	2,038	2,374	2,212	2,154	2,103	1,846
Interest, net	**152**	119	117	101	101	101	79	56	45	51	24
Unusual expenses (income)	**–**	52	166	48	–	183	147	36	(12)	(48)	–
Total costs and expenses	**5,753**	5,399	5,366	4,899	4,657	4,607	4,763	4,439	4,269	4,031	3,772
Earnings from continuing operations before taxes and earnings (losses) of joint ventures	**947**	847	667	710	759	420	564	699	695	626	470
Income taxes	**336**	304	242	259	280	153	217	276	283	245	184
Earnings (losses) of joint ventures	**3**	(8)	(3)	(6)	(3)	(7)	(7)	(12)	(16)	(9)	(4)
Earnings from continuing operations	**614**	535	422	445	476	260	340	411	396	372	282
Accounting changes	**–**	–	–	–	–	–	(4)	–	–	–	–
Earnings including accounting changes	**614**	535	422	445	476	260	336	411	396	372	282
Earnings before interest, taxes and unusual items as % of sales	**16.4%**	16.3%	15.8%	15.3%	15.9%	14.0%	14.8%	15.4%	14.7%	13.5%	11.6%
Earnings from continuing operations as a % of sales	**9.2%**	8.6%	7.0%	7.9%	8.8%	5.2%	6.4%	8.0%	8.0%	8.0%	6.6%
Average common shares Outstanding:											
Basic	**299**	306	316	316	318	316	318	326	331	329	329
Diluted	**307**	315	325	323	324	320	323	333	338	334	333
Financial Position											
Total assets[a]	**4,574**	4,141	3,861	3,902	3,295	3,358	4,804	4,310	3,997	3,561	2,990
Land, buildings and equipment, net	**1,405**	1,295	1,186	1,279	1,312	1,457	1,503	1,463	1,398	1,168	1,048
Working capital at year end	**(1,339)**	(598)	(408)	(281)	(197)	(324)	(630)	(386)	(238)	(142)	(214)
Long-term debt, excluding current portion	**1,760**	1,702	1,640	1,530	1,221	1,401	1,413	1,264	916	875	685
Stockholders' equity[a]	**(289)**	164	190	495	308	141	1,151	1,219	1,371	1,114	810
Other Statistics											
Total dividends	**329**	331	336	321	304	297	299	275	245	211	181
Gross capital expenditures	**268**	281	184	163	129	157	213	317	396	279	292
Research and development	**77**	70	66	61	60	60	59	56	55	52	45
Advertising media expenditures	**361**	348	366	306	320	324	292	283	309	314	296
Wages, salaries and employee benefits	**644**	636	608	564	541	538	558	556	598	633	579
Number of employees (actual)	**11,077**	10,664	10,228	10,200	9,790	9,882	10,616	10,577	12,195	12,521	12,787
Financial Results – Including Discontinued											
Net earnings per share–basic[b]	**$ 2.05**	$ 1.74	$ 1.33	$ 1.41	$ 1.50	$ 1.16	$ 1.48	$ 1.55	$ 1.49	$ 1.44	$ 1.16
Net earnings per share–diluted[b]	**2.00**	1.70	1.30	1.38	1.47	1.15	1.45	1.52	1.47	1.41	1.15
Net earnings[b]	**614**	535	422	445	476	367	470	506	496	473	381
Common stock price:											
High for year	**43.94**	42.34	39.13	34.38	30.25	31.88	34.38	37.06	37.94	30.44	19.81
Low for year	**29.38**	29.59	30.00	26.00	25.00	24.69	24.94	31.00	27.13	18.94	15.69
Year-end as reported	**41.00**	40.19	34.13	32.13	29.13	30.31	27.25	32.63	31.75	29.00	19.50
Year-end continuing operations[c]	**41.00**	40.19	34.13	32.13	29.13	24.94	22.42	26.84	26.12	23.86	16.04

All share and per-share data have been adjusted for the two-for-one stock splits in November 1990 and November 1999.

Amounts presented in this summary have been restated to include continuing operations only, except where noted.

(a) Years prior to 1995 include discontinued operations.

(b) Years prior to 1996 include discontinued operations.

(c) Prices shown prior to 1996 represent approximately 82% of the common stock price, which is the portion of the stock price attributed to consumer foods operations; the remaining 18% represents the market value allocated to the Darden Restaurants, Inc. common stock, our former restaurant operations spun off in May 1995.

Corporate Directory

Board of Directors

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William T. Esrey
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Kansas City, Missouri

Raymond V. Gilmartin
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Whitehouse Station, New Jersey

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Partner, Paul, Hastings, Janofsky & Walker LLP (attorneys)(1,4,5,6*)
Washington, D.C.

Robert L. Johnson
Chairman and Chief Executive Officer, BET Holdings, Inc. (media and entertainment)(2,5)
Washington, D.C.

Heidi G. Miller
Senior Executive Vice President and Chief Financial Officer, priceline.com (Internet pricing system)(4,6)
Norwalk, Connecticut

Michael D. Rose†
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Memphis, Tennessee

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A. Michael Spence
Professor and Former Dean of the Graduate School of Business, Stanford University(1,2*,3,5)
Stanford, California

Dorothy A. Terrell
Senior Vice President, Worldwide Sales and President, Services Group, Natural MicroSystems (computer products and services)(2,4,6)
Framingham, Massachusetts

Raymond G. Viault
Vice Chairman, General Mills, Inc.(1)

C. Angus Wurtele†
Retired Chairman of the Board, The Valspar Corporation (paints and coatings)(2,4,6)
Minneapolis, Minnesota

†Retires Sept. 25, 2000

Board Committees:
(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee
(4) Finance Committee
(5) Nominating Committee
(6) Public Responsibility Committee
(*) Denotes Committee Chair

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Senior Vice President; President, Big G Cereals

Peter J. Capell
Senior Vice President; President, Snacks Unlimited

Randy G. Darcy
Senior Vice President, Supply Chain

Stephen R. Demeritt
Vice Chairman

Jon L. Finley
Senior Vice President, Global Convenience Foods

Ian R. Friendly
Senior Vice President; President, Yoplait-Colombo

David P. Homer
Vice President; President, Baking Products

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Executive Vice President, Chief Financial Officer

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Senior Vice President, Corporate Affairs, General Counsel and Secretary

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Jeffrey J. Rotsch
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Senior Vice President, Corporate Relations

Kenneth L. Thome
Senior Vice President, Financial Operations

David B. VanBenschoten
Vice President, Treasurer

Raymond G. Viault
Vice Chairman

Shareholder Information

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Stock Exchange Symbol: GIS

Markets

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Chicago Stock Exchange

Transfer Agent, Registrar, Dividend Payments and Dividend Reinvestment Plan

Wells Fargo Bank Minnesota, N.A.
161 North Concord Exchange
P.O. Box 64854
St. Paul, MN 55164-0854
Phone: (800) 670-4763 or (651) 450-4084
E-mail: stocktransfer@WellsFargo.com

General Mills' Stock Transfer Department may be reached at (800) 245-5703, option 1.

Independent Auditor

KPMG LLP
4200 Norwest Center
90 South 7th Street
Minneapolis, MN 55402-3900
Phone: (612) 305-5000

Notice of Annual Meeting

The annual meeting of General Mills shareholders will be held at 11 a.m., Central Daylight Time, Monday, Sept. 25, 2000, at the Children's Theatre Company, 2400 Third Avenue South, Minneapolis, Minn.

Shareholder Reports/ Investor Inquiries

Shareholders seeking information about General Mills are invited to contact the Investor Relations department at (800) 245-5703. Within the 612, 651, 763 or 952 area codes, call (763) 764-3203. Quarterly earnings releases, dividend history and other company announcements are published on General Mills' corporate Web site. Our Internet address is **www.generalmills.com**

Form 10-K Report

We believe that the financial statements in this annual report include all the significant financial data contained in the Form 10-K annual report filed with the Securities and Exchange Commission. Shareholders may request a free copy of the Form 10-K and attached schedules by writing to: Corporate Secretary, General Mills, Inc., P.O. Box 1113, Minneapolis, MN 55440.

Corporate Citizenship Report

General Mills' 2000 Corporate Citizenship Report details the company's many community service and philanthropic activities. To receive a copy, write to: General Mills Community Affairs Department, P.O. Box 1113, Minneapolis, MN 55440.

Visit us on the Web

Information on General Mills and its businesses is available on the World Wide Web at the following company-sponsored sites:

www.youruleschool.com Kid-focused facts and fun, from your favorite Big G cereal characters.

www.bettycrocker.com Menu plans, recipes, and other advice from Betty Crocker.

www.bettycrockercatalog.com Online shopping for cookbooks, products, appliances and more.

www.Boxtops4Education.com Information on the easy way to earn up to $10,000 cash for the things your school really needs.

www.cheerios.com Parenting articles, heart-healthy tips and other information for parents and kids.

Link to these sites and others from our corporate home page at **www.generalmills.com**

Holiday Gift Boxes

General Mills Gift Boxes are a part of many shareholders' December holiday traditions. To request an order form, please call us toll free at (877) 979-8463 or write, including your name, street address, city, state, zip code and phone number (including area code) to:

2000 Holiday Gift Box Offer
General Mills
P. O. Box 6427
Stacy, MN 55078-6427

Please contact us **after Sept. 1, 2000.**

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